House of Commons
Communities and Local Government Committee

The Supply of Rented Housing

Volume II
Written evidence

Ordered by The House of Commons to be printed 21 November 2006
Communities and Local Government Committee

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List of unprinted written evidence

Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed and copies have been placed in the House of Commons Library where they may be inspected by Members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1. (Tel 020 7219 3074). Hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Background papers from Mr Michael Clare:
SRH 06(i) - Secured by Design FOCUS, information from the ACPO Crime Prevention Initiatives
Team, Vol 1, Issue 7
SRH 06(ii) - Securing the Nation: The Case for Safer Homes, Association of British Insurers, July 2006

Background papers from the National Housing Federation:
SRH 29(i) - Northern Lights
SRH 29(ii) - National Housing Timebomb
SRH 29(iii) - Awards Brochure

Background paper from the Residential Landlords Association:
SRH 33(i) - HMO Licensing/Housing Act Concerns, Briefing Paper No. 1

Other background papers:
SRH B/P 01 - Buy to Let, The Revolution – 10 Years On, by Prof. Michael Ball, Association of Residential Letting Agents (ARLA), September 2006
Written evidence

Memorandum by Councillor Armand Toms (SRH 01)

I am the County Councillor for Looe and St Martins Ward of Cornwall County Council and I make this submission to your Inquiry regarding the supply of rented accommodation from my knowledge of the situation that prevails in my area. As you may well know, I made a submission to your Inquiry into the supply of Affordable Housing which, I believe, was the only submission from Cornwall. This I find disturbing, as the facts show that the problems of affordable housing and rented social housing in Cornwall are probably the worst in the country. I have made it widely known that this Inquiry is about to take place and I sincerely hope that you will receive more submissions from Cornwall councils both county and district.

Looking at the current system in this area I find it too fragmented and too many organisations fighting over too small a pot of money, providing an inadequate service that has little or no chance of meeting the needs of the supply of local rented accommodation. This is in no way a reflection on each of those organisations but, having at times a number of housing association and councils trying to work in one area and in fact many areas at once, can cause confusion. District councils know the localised problems and have facts and figures to provide the evidence of need, even into micro areas, so why are they tasked with solving the nation’s problems. A good council, making real efforts to resolve its own problems, is basically penalised because current rules allow anyone in the country to bid for social housing in any area. To show the effects of this I give this example: back in 2002 the ODPM changed the rules to allow anyone from any area to bid for social housing; the local District Council changed its rules to accommodate these changes and its effect was immediate. Housing need in my own area (a seaside town with limited accommodation), rose directly because of these rule changes from 110 to a figure of 795; this has simply stopped local people being able to get accommodation. The true effect is that many of our young, trying to raise families and attempting to stay in communities in which they were born, are forced into costly rented accommodation (the seaside effect again). By the time some of these families pay rent, rates and utilities, 60 to 70% of the disposable income is gone and they live an existence, not a life. The cost to Councils and taxpayers in support of the people, both in subsidised rents and rates in my local area, is 12 million pounds alone. Would it not be better to use some of this money to provide social housing? The true cost of inaction over this problem will never be known, but how do we resolve it? May I make the following suggestions:

1. The Council and one housing association per district area. This would cut costs, as funds for the most needy areas could be directed via simple partnership working. This would not include national charitable organisations who would still be able to do their own work in the poorest areas and of most need.

2. Social housing should be directed at local people, ie solve the problem of a local community first and this will lead to solving the country’s needs. By aiding local people this will give sustainable communities. The current system allows social housing in communities such as mine to become a retirement and “A nice place to live” home, with no regard to local people.

3. Too many popular tourist areas are besieged by people wanting to live there, and all to often whole areas are purchased for holiday/second homes. This is to the detriment of the community as the infra structure fails. In Polperro a large section of the town has become unpopulated and banks and shops have closed; in time will this become an un sustainable community? I have no problem with people buying second homes as an investment but not when it is to the detriment of a small community. I would propose a limit on the sustainable number of homes that can be used as holiday homes against those which need to be in full-time occupation to sustain the community. Anyone purchasing a home in an area like this should know if the area is over the limit set for sustainability, then they purchase it knowing it must be for full-time occupation. This is already done in the Channel Isles.

4. Councils, Housing Associations, Registered Social Landlords and any other letting body, should, under direction of a local land/estate agent, be signed up to giving good accommodation at fair rents. A tax incentive should be given to landlords who provide accommodation at fair rents.

5. Special-needs housing should be directly controlled by councils with a view of meeting the need of asylum seekers and social care which needs to be reactive to each case. This should be separated from social housing and funded directly from central government.

6. The sale of the current stock of social housing should be limited or stopped and encouragement given to those who can afford to purchase their own home to move with the aid of grants etc.

7. Key worker schemes to aid in sustainable communities in rural areas should be funded via central government.

8. Social housing should be integrated within larger developments and not, as previously, built as whole estates.

9. The building of social houses should be grant-aided direct to District Councils on a needs basis and monies from sales of property should also be put directly into this fund.

10. Social landlords who build housing directly for letting via Councils should be given tax incentives to do so with aid/grants for infrastructure costs.

11. A complete review of letting policies should be carried out based on solving local problems first.
12. Social housing is key to a sustainable community as in these days of high house prices housing, such as so-called affordable housing, is not retained as affordable or for community benefit.

13. Councils should have direct control and involvement with all social housing requirements within their jurisdiction.

14. The provision of social housing should be directly controlled by the local Council/Planners and not directed via structure plans. In rural areas Councils/Planners should have the ability to allow small developments of normal housing with a benefit, in kind, of land for social housing via section 106 agreements. The ability of local Councils/Planners to be able to do these schemes will have a very positive effect on the cost of providing social housing, as land constitutes the main cost of housing development.

15. Section 106 agreements should be used to stop the sale of special needs housing and those in small rural areas where future developments would be restricted.

16. Social accommodation should not be allocated to people with a private home or homes, allowing them to let these homes at a profit whilst there are people in private accommodation, paying inflated rents, on waiting lists.

17. Social housing should be for full-time occupation only, as occupants who pay rents and rates continuously may, if they so wish, reside in other accommodation but can reserve the rights of tenancy. I have two such homes in my area that I know about and I am frustrated that nothing can be done.

Social housing is the key to a sustainable community and this Inquiry should have the strength to press government for the funds to resolve it. All communities should have a sufficient supply of social housing to meet its needs, which should remain so for as long as needed. At present the rush to build Affordable Housing in Cornwall will never solve the housing problem, as only a small number of local people can afford to purchase them, with local pay rates being so low. The fact is that Affordable Housing is affordable only once and is a short-term fix to a long-term community problem.

Memorandum by Lorraine Barter (SRH 02)

In Southampton there is one square kilometre area called Polygon and Fitzhugh.

In 17 streets surveyed of Victorian and Edwardian houses there are only 263 family homes and 492 Houses in Multiple Occupation.

Most of the Houses in Multiple Occupation are occupied by students from the Solent University.

These landlords are not providing housing for anyone else but students as they do not want to get involved in problems with council tax payments.

Up until 10 years ago all the houses were occupied by families, mainly owned by the residents living there.

The area is unsustainable. There is too much pressure on water supply and sewage disposal, and tonnes of rubbish and furniture is thrown out by landlords twice a year to fill landfill sites.

In the road where I live there are 54 houses and 47 of those are Student Houses in Multiple Occupation.

Therefore I consider that landlords are not being effective in helping people to find long-term homes.

Memorandum by the Local Government Information Unit (LGIU) (SRH 03)

The Local Government Information Unit (LGIU) is an independent policy and research organisation which provides information, advice, training and lobbying service to over 145 local authority and trade union members.

**Key Points**

— Although there is a role for the private sector in helping to meet unmet and newly arising housing needs, there has to be a large increase in direct public funding for increasing the provision of social housing in the Comprehensive Spending Review 2007 to meet the government’s stated objective in giving priority to social housing.

— The current balance of resources going to subsidise low cost home ownership schemes and to social rented housing is not justified. Some schemes are not delivering sustainable solutions to housing need: many of the proposed initiatives, for example, such as equity shared schemes, do not actually increase the supply of housing.

— The LGIU strongly believes that local authorities (and ALMOs) should continue to have a key role in managing social housing, and that they should be able to directly provide new housing. There needs to be radical reform of the housing finance system, to ensure local authority housing has a sustainable and vibrant future.
We are focusing our evidence on those issues where the LGIU has recently done specific work—particularly on future funding needs; on the relative priority given to social rented housing and intermediate housing; and on the future role for local authorities as builders and managers of social housing.

The level of public funding required to meet social housing needs

There is a large body of evidence that shows the need for a fundamental increase in the amount of public funding for increasing the provision of social rented housing.

The social rented sector is now only 19% of the total housing stock in England—its sharp decline has not been accompanied by an equivalent increase in private rented accommodation. In 1970, 173,000 houses were built by local authorities. By 2001, local authorities built 487 homes while housing associations built 22,000 homes. Right-to-Buy has reduced the stock of social housing—with over 1.5 million homes transferred to the private sector.

— The Barker Review. Barker recommended that there needed to be an additional 23,000 social housing units a year to address the backlog of housing need and to keep up with new needs. The government’s commitment, therefore, in “Sustainable Communities: Homes for All” (2005) to increase the annual supply by an additional 10,000 a year by 2008 is considerably lower than Barker’s estimate.

— In 2005 Shelter commissioned the Cambridge Centre for Housing and Planning Research (CCHPR) to update Barker’s analysis. The CCHPR estimated that 40,000 units of social rented housing are needed each year to meet the level of need identified in the final Barker report (10,000 a year more than will be provided under current spending plans). This would require an increase in public spending of £675 million a year.

— The most recent research, the Joseph Rowntree Foundation’s report, Housing and Neighbourhood Monitor, (written by the New Policy Institute, September 2006), describes “problematic trends” in the state of housing, including that 35% of 20 to 39 year-olds are unable to afford even the cheapest home in their area (50% in London and the South-East), and that there is a backlog of one million households needing new, subsidised housing:

“The number of new affordable homes being built is now increasing from very low levels, but remains well below even the limited targets set out in the ‘Barker’ report”.

“Mortgage costs for first-time buyers have now reached their 1990 peak. A third of all working households under 40 cannot afford to buy even at the low end of local housing markets.”

— There have also been two recent reports on the crisis of affordable housing in rural communities: the Affordable Rural Housing Commission (ARHC) published its final report on 17 May 2006, which highlighted the serious shortage of social housing in rural areas. The Commission for Rural Communities (CRC) report “Rural Housing—A place in the countryside?” published on 8 May 2006, indicated that 8,000 affordable homes are needed annually over the next five years in rural areas to meet the current backlog of housing need, and an additional 28,000 per year will be needed to meet the arising needs of newly formed households unable to meet the costs of an unsubsidised housing market.

The government has said that social housing should be a priority in the Comprehensive Spending Review 2007, but it clearly sees private sector funding as key to delivery. There are interesting developments in innovation and partnership working that can increase affordable housing provision, and we recognise that there is scope for increasing the leveraging in of private sector resources, and for making the better use of existing assets. We strongly believe, however, that there also has to be a substantial increase in public funding.

The Treasury has benefited, over decades, from a huge amount of additional revenue, due to changes or developments in housing policy, such as the increase in income from stamp duty and the abolition of mortgage tax relief. The Joseph Rowntree Foundation’s update to their inquiry into British Housing (December 2005) showed that these gains have largely not been put back directly into housing. Only a quarter of the £45 billion proceeds from right to buy sales have been recycled to improve public housing.

The relative funding priority being given to social rented housing as opposed to shared ownership and other forms of submarket housing.

The increase over the last few years in Housing Corporation funding has mainly been for shared ownership and equity share schemes:

“Intermediate housing schemes are now taking up a larger share of the funding for submarket housing. In 2003 and 2004 around 40% of the homes completed with Housing Corporation funding were for shared ownership or equity share compared with 25% in 2002.”
“In the 2004 CSR the Government said that it would deliver 40,000 homes for essential public sector workers and low cost home ownership in areas of high housing demand. On 22 March 2006 the Chancellor announced in his Budget speech that almost £1 billion of the Housing Corporation’s National Affordable Housing Programme would be earmarked for shared ownership products over 2006–08.”


Public money and public land are being used for home ownership at the expense of building more publicly rented homes for those in the greatest need.

The LGIU recognises that there is a role for specific initiatives to boost low cost home ownership, for example in areas of market decline, or where authorities want to retain specific groups (or to attract them). We are concerned, however, that some of the schemes are not delivering sustainable solutions to housing need: many of the proposed initiatives, for example, such as equity shared schemes, do not actually increase the supply of housing. Some shared ownership schemes could eventually become totally market housing, as there is no ceiling on staircasing.

There is evidence that in some areas, subsidy for low cost home ownership is being used to help people, who could already afford market housing, to buy more expensive housing than would have been possible. This cannot be a sensible use of public money (see House of Commons Library Research paper 06/41, page 40). Some intermediate housing schemes are only affordable to a small group who are on the margins of home ownership. There is the danger that subsidising home ownership without increasing supply can actually increase house prices.

The LGIU believe that the current priority (and public subsidy) given to promoting home ownership is not the most efficient use of resources or sustainable. Direct investment into social rented housing has social and economic benefits, such as improving the health and educational achievements of children, alleviating child poverty, cutting the costs of homelessness and increasing job mobility. It provides the best value for money.

The future role for local authorities as builders and managers of social housing

The LGIU strongly believes that local authorities (and ALMOs) should continue to have a key role in managing social housing, and that they should be able to directly provide new housing. The current ALMO new build pilots should open the way for both ALMOs and councils with stock to build new homes, independently or in partnership.

We are not arguing to go back to a situation of mass council house building, but new council provision can meet specific local needs and circumstances. Local authorities have a huge range of roles and functions. There is no reason why it should be assumed they can no longer be providers of new housing, as well as having the key strategic housing role. Indeed, it could be argued that in order to be effective strategically, councils need the ability to intervene directly in housing, as well as ensuring other organisations are meeting local needs.

Enabling councils and ALMOs to build new homes will increase tenant choice and competition: meeting the government’s stated objectives for public service reform. Local authorities understand their local areas and housing needs better than anyone else. They are in the best place to integrate policies on housing and neighbourhood renewal and to join up services. Council tenants who have chosen to stay with the council should not be denied the possibility of moving into new council homes. It is hard to see how ALMOs can develop and be financially viable, post 2010, without an element of new build.

New council provision would be about quality, not quantity. It could be about acquiring and renovating homes, as well as building them. It should be about widening choice, and opening up public rented housing to a range of people, not only the poorest. People on low-to-middle incomes, who may not be able to afford to buy, but who are often excluded from social housing, and who cannot find good quality, affordable private rented housing, could benefit from widening access, at the same time, as developing more socially mixed estates.

Chris Holmes, in “Housing, Equality and Choice” (IPPR 2003) analyses housing inequalities. He describes how councils could recycle properties and reconfigure estates: using capital receipts to meet their policy priorities—for example, selling unpopular flats in inner city estates to groups like key workers, and using the proceeds to buy or build more suitable family housing, perhaps outside their area; or moving under-occupying tenants to smaller housing of their choice, and selling their property to first time buyers to finance new build or acquisition.

Holmes sees this recycling as enabling greater choice, tackling residualisation, and achieving more socially mixed communities—with a mix of new build, acquisition, sales, and partnership working. It would require changes to housing finance and the rules for pooling receipts in England, and a more flexible policy framework from the regional housing boards, that could oversee a cross regional approach to housing supply issues.
With at least 100 councils retaining their housing and more than 70 ALMOs, there is an urgent need to address how they are to have a sustainable future: maintaining and improving their homes post 2010; funding decent neighbourhoods; and helping to deliver affordable housing.

The LGIU published Council housing: a sustainable future in August 2005, a study of a number of councils that were retaining all or the majority of their housing, with detailed case studies of five councils.

The research showed that whereas councils could meet the decent homes standard, and some even improve on the standard, they still faced significant financial challenges and uncertainties:

“The council has worked through a 30 year financial plan. 97% of our tenants wanted to stay with the council, and we will meet decent homes and higher standards, but we need to respond to our tenants’ other priorities for environmental improvements and sustainable communities. And the council is changing—becoming more rural, house prices have shot up, we have an ageing population—we need to be able to say to our residents that there is a secure future for investment beyond maintaining our already good quality homes”.

For all the councils studied, there were concerns about having less money for facilitating affordable housing or for improving neighbourhoods, after resources were put into meeting the decent homes standard. A district in the south-east, for example, had little potential for investment outside of decent homes or improving management services. There are very serious housing problems in the city, with a huge affordability gap for many residents, coupled with an acute shortage in supply. There were concerns about the future lettable stock, particularly flats, where it may not be possible to invest adequately in common areas and the immediate environment.

The LGIU welcomes the establishment of the six pilot areas to examine the scope for self-sufficient housing revenue accounts. We recommended this as one of the possible ways forward in Council housing: a sustainable future, with authorities reconfiguring the HRA to produce investment to maintain DHS and long-term sustainability, including environmental and community works.

Becoming self-sufficient looked like being the best way forward for several of the councils we researched. We were pleased that the Audit Commission came to the same conclusion in Financing council housing. Coming out of the HRA subsidy system would mean greater risk, but for those councils and ALMOs that are financially self-sufficient, it would also, critically, mean much greater control over their income and spending, and the certainty needed to make longer-term financial commitments. Taking on more responsibility would require an appropriate accountability framework, particularly to tenants.

There are, however, significant and difficult issues to be dealt with. There would be, for example, serious implications for councils with stock, if only a small number were to come out of the system, along with the majority of ALMOs.

We agree with the Audit Commission that allowing some councils to be self-sufficient would require additional resources for the poorer councils with the most serious housing and environmental problems. It is hard to see how this option could be properly effective if the Treasury insists it has to be financially neutral. We would argue, however, that the current system may not be the most effective way of helping poorer councils, that all the options need consideration, and that there needs to be more money put in regardless: management and maintenance allowances are still too low.

The LGIU has consistently argued for a level playing field between all of the ownership models: the government has been prepared to write off millions of pounds of debt to facilitate stock transfer and to provide gap funding—there should be equal treatment for councils retaining their housing to ensure a viable financial future.

Although we welcome the work now being done, we believe the government should also be looking at alternative or additional options. It will not be clear until the results of the pilots are known how wide or how limited any reform will be. The government should be considering options such as ring-fencing current and future income from rents to spend entirely on council housing. Rent restructuring will produce rising levels of income: this should remain transparently within council housing. Councils could bid for the pooled money on the basis of need and performance.

There is also a case for authorities retaining a greater proportion of their housing capital receipts. For some councils in our options research, this reform would mean meeting tenants’ aspirational standards for their homes, and being able to seriously address housing issues across other sectors. For one high performing district council, over the period 2005–06 to 2009–10, the council estimates that the government will pool over £21 million of its receipts from right-to-buy sales. This represents almost three times the funding gap the council had identified towards meeting the decent homes standard.

In conclusion, the role of local authorities in managing and building homes can not be seen separately to the future financing of council housing. Without radical reform of the system, there may not be a sustainable future for some of the councils that are retaining their housing, and for some ALMOs. Council housing is a huge public asset that must not be wasted.
Memorandum by SHAL Housing Limited (SRH 04)

EXECUTIVE SUMMARY

1. In this submission it is argued that high house price inflation encourages people to jump on to the home ownership ladder and so further encourage more house price inflation.

2. Shared ownership merely fans the embers of house price inflation whilst social housing for rent provides decent homes at a relatively low cost without affecting the housing market.

3. It is the opinion of the writer that government should subsidise more housing for rent in preference to shared ownership.

BRIEF INTRODUCTION

4. This submission is made by John Thomson, Chief Executive, SHAL Housing Limited. I am a Fellow of the Chartered Institute of Housing and have worked in “social” housing for over 30 years.

5. In addition to my general role as Chief Executive, I am particularly charged with the development of new housing.

6. SHAL Housing Limited is a Registered Social Landlord based at 2 King Square, Bridgwater, Somerset. It operates in the districts of Sedgemoor and Taunton Deane and owns 586 properties, 90% of which are family homes.

7. Currently, SHAL lets its properties on assured tenancies, at an average rent of £67 a week. SHAL is currently considering the merits of assured tenancies.

FACTUAL INFORMATION

8. House prices in Sedgemoor have typically been lower than in Taunton Deane. This submission, therefore, looks at the position in Sedgemoor. The typical “first time buyer” house for a family, and the typical house in SHAL’s rented stock, is the terraced house.

9. The following chart shows the average sale price of a terraced house as recorded by the Land Registry over a six year period.

![House price movement in Sedgemoor chart]
10. In January to March 2000, the average sale price was £54,250. In the same period in 2006 it was £132,576, an increase of about 2\( \times \) times. Percentage increases, as recorded from real sales by the Land Registry were:

**Terrace House Price Inflation Sedgemoor**

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<tr>
<td>2000</td>
<td>3.09%</td>
</tr>
<tr>
<td>2001</td>
<td>25.65%</td>
</tr>
<tr>
<td>2002</td>
<td>33.65%</td>
</tr>
<tr>
<td>2003</td>
<td>17.94%</td>
</tr>
<tr>
<td>2004</td>
<td>7.31%</td>
</tr>
<tr>
<td>2005</td>
<td>11.54%</td>
</tr>
</tbody>
</table>

Average = 16.53%

11. Median earnings for employees in Sedgemoor in 2005 were £21,559\(^1\) A person earning this, requiring a 95% mortgage to buy the average house of around £133,000 would require a mortgage of nearly six times income, which would cost 47% of that person’s gross annual income.

12. We have calculated that purchase of a 50% share of that same house would cost nearly £7,000 a year, or only 32% of income.

13. By comparison, renting that house from SHAL (our average rent is £67 per week) would cost 16% of income.

14. This data has led me to believe that house price inflation cripples families financially, preventing them from buying clothes, holidays, educational visits etc whilst at the same time preventing many families from creating wealth. The following scenarios illustrate what I mean.

**Scenario 1**

15. In an era of low house price inflation, (eg the year 2000) property purchased for £66,500 would, over a year, rise in value by £2,055 (3.09%). Over the same time a mortgage of 6% would see capital of £1,184 repaid. At the end of the year the purchaser would see they owned £3,239 (ie £2,055 + £1,184) or 4.72% of the equity. Table 1 illustrates this.

<table>
<thead>
<tr>
<th>End of Year</th>
<th>Property Value</th>
<th>Principal</th>
<th>Interest</th>
<th>Total paid</th>
<th>Cumulative Total</th>
<th>Equity held</th>
<th>% of equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>68,555</td>
<td>1,184</td>
<td>3,958</td>
<td>5,142</td>
<td>5,142</td>
<td>3,239</td>
<td>4.72%</td>
</tr>
<tr>
<td>2007</td>
<td>70,763</td>
<td>1,257</td>
<td>3,885</td>
<td>5,142</td>
<td>10,283</td>
<td>6,614</td>
<td>9.36%</td>
</tr>
<tr>
<td>2008</td>
<td>72,857</td>
<td>1,334</td>
<td>3,807</td>
<td>5,142</td>
<td>15,425</td>
<td>10,132</td>
<td>13.91%</td>
</tr>
<tr>
<td>2009</td>
<td>75,108</td>
<td>1,417</td>
<td>3,725</td>
<td>5,142</td>
<td>20,566</td>
<td>13,800</td>
<td>18.37%</td>
</tr>
<tr>
<td>2010</td>
<td>77,429</td>
<td>1,504</td>
<td>3,638</td>
<td>5,142</td>
<td>25,708</td>
<td>17,624</td>
<td>22.76%</td>
</tr>
<tr>
<td>2011</td>
<td>79,822</td>
<td>1,597</td>
<td>3,545</td>
<td>5,142</td>
<td>30,849</td>
<td>21,614</td>
<td>27.08%</td>
</tr>
<tr>
<td>2012</td>
<td>82,288</td>
<td>1,695</td>
<td>3,446</td>
<td>5,142</td>
<td>35,991</td>
<td>25,775</td>
<td>31.32%</td>
</tr>
<tr>
<td>2013</td>
<td>84,831</td>
<td>1,800</td>
<td>3,342</td>
<td>5,142</td>
<td>41,132</td>
<td>30,118</td>
<td>35.50%</td>
</tr>
<tr>
<td>2014</td>
<td>87,452</td>
<td>1,911</td>
<td>3,231</td>
<td>5,142</td>
<td>46,274</td>
<td>34,650</td>
<td>39.62%</td>
</tr>
<tr>
<td>2015</td>
<td>90,154</td>
<td>2,029</td>
<td>3,113</td>
<td>5,142</td>
<td>51,415</td>
<td>39,380</td>
<td>43.68%</td>
</tr>
<tr>
<td>2016</td>
<td>92,940</td>
<td>2,154</td>
<td>2,988</td>
<td>5,142</td>
<td>56,557</td>
<td>44,320</td>
<td>47.69%</td>
</tr>
<tr>
<td>2017</td>
<td>95,812</td>
<td>2,286</td>
<td>2,855</td>
<td>5,142</td>
<td>61,698</td>
<td>49,478</td>
<td>51.64%</td>
</tr>
<tr>
<td>2018</td>
<td>98,773</td>
<td>2,428</td>
<td>2,714</td>
<td>5,142</td>
<td>66,840</td>
<td>54,866</td>
<td>55.55%</td>
</tr>
<tr>
<td>2019</td>
<td>101,825</td>
<td>2,577</td>
<td>2,564</td>
<td>5,142</td>
<td>71,981</td>
<td>60,496</td>
<td>59.41%</td>
</tr>
<tr>
<td>2020</td>
<td>104,971</td>
<td>2,736</td>
<td>2,405</td>
<td>5,142</td>
<td>77,123</td>
<td>66,378</td>
<td>63.23%</td>
</tr>
<tr>
<td>2021</td>
<td>108,215</td>
<td>2,905</td>
<td>2,237</td>
<td>5,142</td>
<td>82,264</td>
<td>72,527</td>
<td>67.02%</td>
</tr>
<tr>
<td>2022</td>
<td>111,559</td>
<td>3,084</td>
<td>2,057</td>
<td>5,142</td>
<td>87,406</td>
<td>78,955</td>
<td>70.77%</td>
</tr>
<tr>
<td>2023</td>
<td>115,006</td>
<td>3,274</td>
<td>1,867</td>
<td>5,142</td>
<td>92,547</td>
<td>85,676</td>
<td>74.50%</td>
</tr>
<tr>
<td>2024</td>
<td>118,559</td>
<td>3,476</td>
<td>1,665</td>
<td>5,142</td>
<td>97,689</td>
<td>92,706</td>
<td>78.19%</td>
</tr>
<tr>
<td>2025</td>
<td>122,223</td>
<td>3,691</td>
<td>1,451</td>
<td>5,142</td>
<td>102,830</td>
<td>100,061</td>
<td>81.87%</td>
</tr>
<tr>
<td>2026</td>
<td>126,000</td>
<td>3,918</td>
<td>1,223</td>
<td>5,142</td>
<td>107,972</td>
<td>107,756</td>
<td>85.52%</td>
</tr>
<tr>
<td>2027</td>
<td>129,893</td>
<td>4,160</td>
<td>981</td>
<td>5,142</td>
<td>113,113</td>
<td>115,809</td>
<td>89.16%</td>
</tr>
<tr>
<td>2028</td>
<td>133,907</td>
<td>4,417</td>
<td>725</td>
<td>5,142</td>
<td>118,255</td>
<td>124,239</td>
<td>92.78%</td>
</tr>
<tr>
<td>2029</td>
<td>138,044</td>
<td>4,689</td>
<td>452</td>
<td>5,142</td>
<td>123,396</td>
<td>133,066</td>
<td>96.39%</td>
</tr>
<tr>
<td>2030</td>
<td>142,310</td>
<td>4,978</td>
<td>163</td>
<td>5,142</td>
<td>128,538</td>
<td>142,310</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Table 1: Property purchase for £66,500, interest 6%, house price inflation 3.09%.

\(^1\) Source: Annual Survey of Hours and Earnings—Resident Analysis.
16. At the end of 25 years in this fictional calm and stable period of history the value, and what the purchaser has paid, are similar. The mortgage has cost £5,142 a year, or 24% of the average income. It compares favourably with renting—for a little more effort you create wealth. It takes 11 years to own half the equity.

**Scenario 2**

17. Compare the above with the same picture if the average house price inflation of the past six years were to subsist for the next 25. Using the same property cost and the same mortgage rate of 6%, at the end of the first year again £1,184 of the capital borrowed would be repaid. But the value would have increased substantially. By the end of year 4 the purchaser would already be worth nearly what was borrowed and own 50% of the equity. Table 2 illustrates this in full.

<table>
<thead>
<tr>
<th>End of Year</th>
<th>Property Value</th>
<th>Principal</th>
<th>Interest</th>
<th>Total paid</th>
<th>Cumulative Total</th>
<th>Equity held</th>
<th>% of equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>77,492</td>
<td>1,184</td>
<td>3,958</td>
<td>5,142</td>
<td>5,142</td>
<td>12,176</td>
<td>15.71%</td>
</tr>
<tr>
<td>2007</td>
<td>90,302</td>
<td>1,257</td>
<td>3,885</td>
<td>5,142</td>
<td>10,283</td>
<td>26,242</td>
<td>29.06%</td>
</tr>
<tr>
<td>2008</td>
<td>105,229</td>
<td>1,334</td>
<td>3,807</td>
<td>5,142</td>
<td>15,425</td>
<td>42,504</td>
<td>40.39%</td>
</tr>
<tr>
<td>2009</td>
<td>122,623</td>
<td>1,417</td>
<td>3,725</td>
<td>5,142</td>
<td>20,566</td>
<td>61,315</td>
<td>50.00%</td>
</tr>
<tr>
<td>2010</td>
<td>142,893</td>
<td>1,504</td>
<td>3,638</td>
<td>5,142</td>
<td>25,708</td>
<td>83,088</td>
<td>58.15%</td>
</tr>
<tr>
<td>2011</td>
<td>166,513</td>
<td>1,597</td>
<td>3,545</td>
<td>5,142</td>
<td>30,849</td>
<td>108,305</td>
<td>65.04%</td>
</tr>
<tr>
<td>2012</td>
<td>194,038</td>
<td>1,695</td>
<td>3,446</td>
<td>5,142</td>
<td>35,991</td>
<td>137,525</td>
<td>70.88%</td>
</tr>
<tr>
<td>2013</td>
<td>226,112</td>
<td>1,800</td>
<td>3,342</td>
<td>5,142</td>
<td>41,132</td>
<td>171,399</td>
<td>75.80%</td>
</tr>
<tr>
<td>2014</td>
<td>263,488</td>
<td>1,911</td>
<td>3,231</td>
<td>5,142</td>
<td>46,274</td>
<td>210,686</td>
<td>79.96%</td>
</tr>
<tr>
<td>2015</td>
<td>307,043</td>
<td>2,029</td>
<td>3,113</td>
<td>5,142</td>
<td>51,415</td>
<td>256,269</td>
<td>83.46%</td>
</tr>
<tr>
<td>2016</td>
<td>357,797</td>
<td>2,154</td>
<td>2,988</td>
<td>5,142</td>
<td>56,557</td>
<td>309,177</td>
<td>86.41%</td>
</tr>
<tr>
<td>2017</td>
<td>416,941</td>
<td>2,286</td>
<td>2,855</td>
<td>5,142</td>
<td>61,698</td>
<td>370,607</td>
<td>88.89%</td>
</tr>
<tr>
<td>2018</td>
<td>485,861</td>
<td>2,428</td>
<td>2,714</td>
<td>5,142</td>
<td>66,840</td>
<td>441,955</td>
<td>90.96%</td>
</tr>
<tr>
<td>2019</td>
<td>566,174</td>
<td>2,577</td>
<td>2,564</td>
<td>5,142</td>
<td>71,981</td>
<td>524,845</td>
<td>92.70%</td>
</tr>
<tr>
<td>2020</td>
<td>659,763</td>
<td>2,736</td>
<td>2,405</td>
<td>5,142</td>
<td>77,123</td>
<td>621,170</td>
<td>94.15%</td>
</tr>
<tr>
<td>2021</td>
<td>768,822</td>
<td>2,905</td>
<td>2,237</td>
<td>5,142</td>
<td>82,264</td>
<td>733,134</td>
<td>95.36%</td>
</tr>
<tr>
<td>2022</td>
<td>895,908</td>
<td>3,084</td>
<td>2,057</td>
<td>5,142</td>
<td>87,406</td>
<td>863,304</td>
<td>96.36%</td>
</tr>
<tr>
<td>2023</td>
<td>1,044,001</td>
<td>3,274</td>
<td>1,867</td>
<td>5,142</td>
<td>92,547</td>
<td>1,014,672</td>
<td>97.19%</td>
</tr>
<tr>
<td>2024</td>
<td>1,216,575</td>
<td>3,476</td>
<td>1,665</td>
<td>5,142</td>
<td>97,689</td>
<td>1,190,722</td>
<td>97.87%</td>
</tr>
<tr>
<td>2025</td>
<td>1,417,675</td>
<td>3,691</td>
<td>1,451</td>
<td>5,142</td>
<td>102,830</td>
<td>1,395,512</td>
<td>98.44%</td>
</tr>
<tr>
<td>2026</td>
<td>1,652,016</td>
<td>3,918</td>
<td>1,223</td>
<td>5,142</td>
<td>107,972</td>
<td>1,633,772</td>
<td>98.90%</td>
</tr>
<tr>
<td>2027</td>
<td>1,925,095</td>
<td>4,160</td>
<td>981</td>
<td>5,142</td>
<td>113,113</td>
<td>1,911,011</td>
<td>99.27%</td>
</tr>
<tr>
<td>2028</td>
<td>2,243,313</td>
<td>4,417</td>
<td>725</td>
<td>5,142</td>
<td>118,255</td>
<td>2,233,645</td>
<td>99.57%</td>
</tr>
<tr>
<td>2029</td>
<td>2,614,132</td>
<td>4,689</td>
<td>452</td>
<td>5,142</td>
<td>123,396</td>
<td>2,609,154</td>
<td>99.81%</td>
</tr>
<tr>
<td>2030</td>
<td>3,046,248</td>
<td>4,978</td>
<td>163</td>
<td>5,142</td>
<td>128,538</td>
<td>3,046,248</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Table 2: Property purchase for £66,500, interest 6%, house price inflation 16.53%.

18. Of course today you cannot buy a house for £66,500, although this was possible in 2000 or 2001. But “half” a house bought on shared ownership is possible.

19. With most of the population today priced out of home ownership as a first time buyer, shared ownership offers a way of “climbing the ladder”. The press suggests that the home ownership market is kept buoyant by:
   — Buy to let purchases;
   — Purchases part funded by parental contribution; and
   — Well-off first time buyers.

20. Anyone who can, it seems, is anxious to get onto that “ladder”. And with the large capital gains it can be seen why.

**Recommendation**

21. Shared ownership offers an opportunity to many who are precluded from accessing the full market. With shared ownership based on market value, this additional stock just fuels demand and sales and adds more people to the home ownership population with an interest in price rises.

22. Contrast this to the situation of social housing built for rent. These homes have no effect on the “for sale” market. Government controls rents charged through the rent restructuring regime. Letting at below market rents allows families to have a good quality of life because they have less to pay in housing costs. There is a significant demand, true, but their construction and letting has no effect on house prices. As the figures in paragraphs 12 and 13 show, a shared ownership house will cost 32% of income, to which must be added the cost of repairs and insurance. Social housing, on the other hand, will cost 16% of income, and no
repairs or insurance. It is true that a family in social housing will not create wealth for themselves, but, on the other hand, they will have more of their income to spend on matters which will improve their quality of life.

23. If most people are priced out of home ownership as a first time buyer then prices will stagnate. Over time property will again become affordable to people as incomes rise with normal inflation. Production of shared ownership now will just fuel the embers of the home ownership bandwagon and house price inflation. I would, therefore, argue that use of government funds to encourage more housing to rent, rather than shared ownership, will benefit society more.

Memorandum by Northern Housing Consortium (SRH 05)

1. Background

1.1 The Northern Housing Consortium (previously the Northern Consortium of Housing Authorities 1974–2002) was established in April 2002. It is an independent non-party political, membership organisation working to improve and promote housing services across the North. Its 245 members include Local Authorities, Registered Social Landlords (RSLs), Large Scale Voluntary Transfers (LSVTs), Arms Length Management Organisations (ALMOs) and other organisations involved in housing.

1.2 The Northern Housing Consortium is governed by its members, who between them manage over 86% of social housing in the North, over 1.3 million homes. These organisations are drawn from the three Northern Government Office regions of the North East, North West and Yorkshire & Humberside, as well as the Housing Corporation (North).

2. The level of public funding required to meet social housing needs

2.1 The level of public funding required to meet social housing needs is significant. Social rented housing provides an essential route to good quality affordable housing, and a safety net for the most vulnerable in society. Investment in social housing also supports many Government priorities including sustainable communities, social cohesion and economic development.

2.2 Social housing is not always the tenure of last resort and there is increasing evidence that the social housing market is widening to include existing home owners and customers who would traditionally have gotten onto the first rung of the property ladder, but are increasingly unable to do so because of lack of affordability. In the social housing market turnover is slowing down eg Bradford has seen a 39% reduction in homes becoming available to let between 2004–06. Similarly parts of the North are seeing demand for good quality, low cost rented accommodation rising dramatically eg housing providers in the North East are experiencing average choice based lettings bids of up to 44 per home and in the North West up to 80 bids per home. Around 42% of the 300 referrals to First Choice Homes Oldham from owner occupiers or private tenants have chosen a rented home. We believe this is in response to the decreasing affordability of home ownership. Evidence from the Oldham and Rochdale housing market renewal pathfinder shows that displaced owner occupiers and tenants of private landlords are choosing to rent from a social landlord. Experience is showing that marginal owners, or those whose homes have a market value which enables debts to be repaid and a new start made, are choosing to rent. There is evidence to show that graduates and young people are choosing to rent for freedom and flexibility, and older owners are choosing to rent to relieve themselves of the burden and the maintenance of home ownership.

2.3 Increasingly the market has widened because social landlords, in particular RSL’s, are planning for a greater share of the market by improving quality and design, increasing access to housing and offering a greater range of products and services. In the renewal estates of Sunderland new rented homes, which have been built to exceptionally high standards, are raising aspirations and challenging the traditional view of social housing. Again there is evidence of owner occupiers choosing to rent these homes.

2.4 The policy and practice needs to reflect a modern approach to meeting social housing needs, and one which also reflects the way in which society has changed. The North’s housing providers recognise that the models of delivery of the past will not necessarily deliver the best solutions for the future, and there are many examples of pioneering new approaches to delivery eg the Preston Community Gateway. They also recognise that they must make best use of their available assets to lever in additional investment, and the North has an excellent track record in this regard.

2.5 However, there is a strong feeling that current levels of public funding will not be sufficient to assist them in delivering the scale of regeneration and quality of housing offer needed in the North.
3. THE RELATIVE FUNDING PRIORITY BEING GIVEN TO SOCIAL RENTED HOUSING AS OPPOSED TO SHARED OWNERSHIP AND OTHER FORMS OF BELOW MARKET HOUSING

3.1 Housing Corporation funding in the North for 2006–08 is split approximately 24% for low cost home ownership, 76% for rent (similar to ratios elsewhere in the country except London which has a higher proportion of sale to rent). We would support the relative priorities currently being given.

3.2 Whilst government policy is encouraging home ownership we would urge the government to ensure the policy implications are understood, and policy tools are developed to ensure home ownership is sustainable. Research by the Housing Corporation (Public Attitudes to Housing 2006) may show that 82% of people aspire to own but if a proportion of those cannot afford to own, it is unsustainable and risky to encourage ownership. In 2005 Shelter reported that people on low incomes place living in a safe neighbourhood and affordability above the desire to own. Recent CML research also shows that the percentage of 25–34 year olds who aspire to buy within two years is declining which raises questions about the long term future demand for home ownership. A recent survey by the Citizens Advice Bureau showed that many people do aspire to home ownership, but may not be in a position to afford to own their own home. 19% of people who rent, or around 2.6 million people, say they would like to own their own home but don’t anticipate ever being able to afford it.

3.3 The market for shared ownership is limited and largely untested. There is evidence of an increasing interest in funding shared ownership from the private sector, which is encouraging, but will there be a market for the purchase of equity shares in the future? There has been modest interest from RSL’s, delivery costs of shared ownership are high and the signs are that unless shared ownership can be made affordable enough there is limited interest from tenants, who prefer the option of outright sale. In the North East evidence shows that Homebuy cannot be delivered in high value areas at the income thresholds set down in the policy. This suggests that using current rules, prioritising spending on shared ownership does not provide for value for money.

3.4 Increasing ownership to the detriment of increasing supply and standards in the social sector will do nothing to help remove stigmatisation in the social sector, nor will it help to tackle welfare dependency. The value for money the Government receives by investing in the social rented sector is also enhanced through the added value in terms of health, crime and educational benefits. Research by Cambridge University argues that spending on housing, and education, could prove better value for money for the known effects on health.

3.5 Certainly legitimate social rented housing needs should not be overlooked in the desire to increase shared ownership. However, the North does have real hot spots of affordability, evidence of an intermediate housing market in some areas and a need to create mixed communities. Members would be interested in the opportunity to create flexible tenure options, allowing the customer to choose the tenure and the level of ownership if required. This would help create truly mixed and tenure neutral communities.

3.6 Overall, we support the provision of homes for sale where it is necessary and sustainable. However, we strongly recommend a balanced cross tenure approach which is assessed upon a regional basis, and based upon sound housing market and housing needs assessments. Achieving this appropriate balance is a long term “investment” and not unsustainable “spending”.

4. THE GEOGRAPHICAL DISTRIBUTION OF SUBSIDIES FOR AFFORDABLE HOUSING

4.1 The distribution of Housing Corporation funding in 2006–08 favours the South, and whilst we do not argue against funding in the South, we argue that the North has not received the level of investment it needs.

4.2 In the past, the view of the North has been one of low demand and abandonment. Whilst this has been the reality in some areas, there are many parts of the North in which there are real problems of affordability. Research by the University of York in 2005 highlights the golden triangle area of North Yorkshire, rural commuter areas of Northumberland and the South Lakes area of Cumbria. But affordability is not just an issue in these high value areas. In many areas eg the city regions and former coal mining areas not only are house prices out of the reach of average incomes but there are real issues about providing a choice and a mix of housing types to break up monolithic estates and provide mixed income communities, addressing the issue of wrong supply, and providing a real choice of good quality accommodation in the market place. Public subsidy for social housing is as much about increasing quality and choice, and market restructuring as it is about increasing supply.

4.3 Market restructuring is beginning to occur in many of the pathfinder areas, but there is still much to do. There is evidence that a hardcore of neighbourhoods in HMRP areas, eg Merseyside, are not showing significant signs of improvement. This is particularly apparent in those areas which have not had pathfinder status for example Sunderland and parts of Western Cumbria. Members of the NHC have also highlighted
the impact on the intermediate labour market of growing affordability problems in Cheshire. It is therefore crucial to consider the economic case for housing investment in the North in order to close the economic gap between the North and South in line with the objectives of the Northern Way and the city regions model.

4.4 The geographical distribution should therefore be based upon a sound analysis of the need and consideration of the value that investment will bring for the North.

5. THE FUTURE ROLE FOR LOCAL AUTHORITIES AS BUILDERS AND MANAGERS OF SOCIAL HOUSING

5.1 The Northern Housing Consortium supports the role that local authorities play in developing sustainable communities. In considering the role of local authorities as builders of social housing, the costs and benefits of delivering through this approach would need to be fully understood eg are local authorities geared up to deliver at the rates and quality we require with the same or less public funding? What would be the impact on the public sector borrowing requirement and can they compete in terms of value for money?

5.2 On the one hand, there are issues of capacity as local authorities do not have the experience which RSL’s and LSVT’s have in raising private finance. Similarly if we are ever to change the view of social housing as a welfare product for good, we must think of moving away from direct state provision, and instead build capacity in the local authorities as strategic enablers and commissioners rather than direct providers. This could be achieved by strengthening the local authority planning function and incentivising local authorities to take a more strategic lead on delivery.

5.3 On a positive note, allowing local authorities to build and manage would create a more level playing field, increasing competition for resources and stimulating efficiency and innovation. Local authorities also have the necessary long term interest in neighbourhoods and the development of the community. Increasing the range of housing providers is a positive move away from a central control, one size fits all, approach towards a new localism. It could be an opportunity for local authorities who own stock and need to improve or build new housing, and if local people have voted to keep stock that is a democratic decision which should be respected. This is local decision making in action, and links to the community engagement and localism agenda, which is something to be encouraged.

5.4 However, for this model to work, the local authorities would need to think creatively, moving away from the public sector mind set and embracing innovative ways of delivering housing growth for example through the community gateway or community land trust model, by setting up independently owned joint venture companies or through ALMO development companies etc. Those models which allow the authority to take a strategic approach to providing affordable mixed communities with the local community in control and the value held in perpetuity would be most attractive. Local authorities could be encouraged to release land for development at nil cost where they will be retaining the asset and with preferential terms where “best consideration” is about community benefit rather than attracting income for other strategic objectives.

5.5 We await with interest the outcomes of the pilots of local authorities operating outside the HRA system, the Lyons review and the forthcoming Local Government White Paper.

6. THE EFFECTIVENESS OF DIFFERENT SOCIAL HOUSING MODELS INCLUDING TRADITIONAL LOCAL AUTHORITY HOUSING, ALMOS, HOUSING CO-OPERATIVES AND HOUSING ASSOCIATIONS

6.1 It is very difficult to make comparisons between the effectiveness of the different models as they each have different roles and strengths and each with a very valuable place in the rented housing market. Similarly there is as much variation in effectiveness within each model as between them.

6.2 However there are numerous examples of each model finding innovative ways of increasing the supply of rented housing in the North. Local authorities are developing effective sub regional partnerships which enable the strategic delivery of rented housing. Housing associations are very effectively leveraging in substantial amounts of private finance with limited public funding, sometimes no grant, and supplying rented housing in conjunction with social investment in communities. They are leading the way as social investors creating sustainable communities by investing in Academies, infrastructure and environmental improvements. Where they exist co-ops can provide an effective solution and the benefits they offer in terms of empowerment and sustainability are significant although not always easy to measure.

6.3 However, given a level playing field, comparative approaches to regulation, and the same freedoms and flexibilities there should be no reason all landlords could not deliver the same. The greatest effectiveness does come from a partnership of all models working together to provide a holistic approach to creating sustainable communities and providing the community with a menu of housing choices which suit local conditions and create flexibility in the market place.
7. The Role and Effectiveness of Private Rented Housing in Meeting Housing Needs

7.1 Private rented housing has a varied and vital role in creating flexibility in the market, for the student market, move on accommodation in the support sector, labour mobility etc. The market varies considerably from large investment trusts to small providers, buy to invest and the low end intentionally homeless market. Similarly, there is large variation in quality and cost. The role is often not to intentionally contribute positively to communities and it is not strategically planned, but market led.

7.2 Despite this private rented housing does meet a need. Social housing supply and market restructuring takes time to react to neighbourhood decline and changes in demand. This has led to low and sometimes wrong supply which does not meet the needs of the market. Similarly there is evidence of an intermediate market which cannot afford to buy at the lowest quartile yet have incomes too high for housing benefit (University of York 2005). In the private rented market it is estimated that 47% of renters are true intermediate households (Hometrack 2006). The Hometrack evidence also shows that the private rental market is meeting the needs of the younger market keen to own but not able to do so yet, those who cannot access social housing due to lack of supply in the right places, and the demand from international and internal migrants. Research by GMAC-RFC (2005) found that 61% of 18–34 year old tenants believed that renting enabled them to live in a better area than if they bought a home and enabled them to access better quality accommodation. Evidence shows that this group value the rental sector for the freedom and flexibility to move around and the opportunity it gives to leave the family nest without the burden of home ownership. It is estimated by Hometrack that demand for private rented accommodation will increase nationally by 600,000 households by 2021, but that demand will only materialise by increasing the supply which is estimated to require investment of £100 billion.

7.3 In terms of effectiveness, the sector is dogged by poor standards; it is expensive to those on housing benefit and is largely unregulated. The average national cost of bringing a private sector home up to standard is £7,870. Crude multiplication therefore reveals that an investment of £2,856,810,000 is needed in the North (EHCS 2003). We know that of the 1,056,000 vulnerable households in the private sector who are in non decent homes just over one third (34.4%) reside within the three Northern regions.

7.4 Anecdotal evidence shows that in some areas the private rented sector is having a negative impact on communities due to the number of homes being purchased as an investment or pension fund rather than to meet household requirements, and homes being bought up by investors looking to capitalise on CPO in renewal areas. In the North East there is evidence of the buy to let market hindering the ability to improve sustainability on estates and is proving costly to local authorities in terms of environmental, neighbourhood and community safety expenditure. In response to the concerns of members the Northern Housing Consortium is beginning to scope out research on the impact of “buy to let” and “buy to invest” on Northern housing markets.

7.5 We support the need for regulation at the low end of the market to improve standards which will go some way to ensuring that the private rented housing supply provides a good quality standard of living and contributes positively to sustainable communities.

8. The Priorities and Effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in Responding to Housing Needs

8.1 The Housing Corporation’s strength lies in the resident involvement agenda and promotion of RSL’s as social providers. However, the partnering approach can be exclusive and the efficiencies in grant use are diverse across the North. There is evidence that the rules under which the Housing Corporation work clearly have an impact on how they respond to new and innovative proposals. For example in Cumbria, there are areas such as Eden and the South Lakes where the current cap on grant rates makes it impossible to provide new affordable homes for local people.

8.2 English Partnerships draws strength from its holistic, outcomes led approach to regeneration, using new and bespoke delivery models to provide affordable housing and wider regeneration.

8.3 The opportunity to bring together in a new agency, the funding, land holdings, regeneration expertise to support innovation and new models of delivery, with more balanced approach to regulation, would provide a holistic response to housing needs and wider goal of creating sustainable communities. We also believe that investment and regulation should be co-located as the ability to control investment gives “teeth” to the regulators.

8.4 The regional housing boards have a key role in agreeing regional priorities and effectively targeting resources to those priorities. There is a need for the boards to use a strong evidence base to set priorities, using sub-regional housing market assessments as a foundation to prioritise spending. The merger of housing and planning in the Regional Assemblies should increase opportunities for lobbying on housing issues, and strengthen the strategic decision making process of planning and housing investment.
9. The Role and Effectiveness of the Planning System, including Section 106 Agreements in the Provision of Rented Housing and Securing Mixed Tenure Housing Developments

9.1 The planning system, and in particular the use of section 106, is vital to capture the economic value of new developments for social housing provision and mixed tenure developments. However, at present there are too many inconsistencies in the effectiveness of the system, and the use of s106, to deliver the homes that are needed. The current system places too much emphasis on outputs and the number of homes required to tackle the supply issue and satisfy demand, and not enough emphasis on outcomes and the move towards a more holistic approach. A lack of supply is not the general problem in the North, but rather the need to create mixed and sustainable communities. This requires a more holistic approach to planning looking at condition of properties, desirable communities, sustainability of neighbourhoods, mix and quality of estates, aspiration as well as need. These are the issues which are more fundamental to the North’s success in balanced housing.

9.2 Section 106 is a more effective tool where land values are high and there are examples in the North where s106 is working well. For example Cheshire has taken a sub-regional approach which has led to greater numbers of units being delivered through s106 than through grant funding. By sharing examples of good and bad practice, housing providers have tried to focus LA’s on the issues that RSL’s and developers face in delivering new units and this has begun to have a positive effect. Another very positive outcome of joint working in Cheshire has been an ability to respond quickly to opportunities for additional funding. Harrogate makes use of model agreements and early engagement of the private sector to maximise affordable housing provision on all development sites which are suitable in terms of access to services. A key to their success appears to be the early engagement of all partners, where the local authority, the developer and the RSL sit around the table gaining an understanding of local need and the factors which will affect financial viability before a planning application is made. A process which challenges developers clearly need not be an obstacle as long as it is clear and negotiation occurs up front.

9.3 However, the North in general provided through s106 an average of only 38% of the total affordable completions in 2004–05 and 36% in 2003–04. Land costs in the North East and North West are some of the highest in the UK and where rented schemes do not do not stack up financially and the local authority can achieve a higher price from private developers for land without a percentage of social housing, there is currently little incentive for the LA to insist upon the s106 agreement. There are also examples of local authorities obtaining maximum land value from developers to meet alternative strategic objectives. We are keen to see local authorities taking a more strategic, “best consideration” approach to the sale of land and the delivery of affordable rented housing based upon quality, housing need, and improved infrastructure.

9.4 Overall, we would welcome an approach which creates a much clearer framework about how s 106 should be used to create affordable homes to rent or buy for those who cannot afford to buy at market level. The system must tackle existing inefficiencies, create incentives for local authorities to deliver, and create a fast track system that allows a quicker reaction to changes in need and demand. In addition we would welcome better use of the planning system to stimulate demand by driving up standards, innovation in design, enhancing energy efficiency and promoting sustainable methods of construction. Developing innovative approaches to supply which can reduce delivery costs and time would enable an increase in supply with existing resources.

10. The Effectiveness of Housing Benefit as a Means of Providing Access to Rented Housing to Those in Need

10.1 Housing benefit does increase the ability to access housing for those who would not otherwise be able to afford rent. It provides security and confidence to housing providers and lenders, and our members express concern that a withdrawal of housing benefit would penalise landlords and increase homelessness.

10.2 But, does housing benefit provide value for money and is there a moral argument to be made? The current housing benefit system is costly and highly administrative, and there are many unintended negative consequences. Housing benefit creates a welfare dependant culture with clear disincentives to work, it restricts choice, acts as a stigma and does nothing to empower. Encouraging people out of benefit dependency would lead to increasing wealth and increased opportunities to own.

10.3 Innovative schemes in the South show that housing benefit funding can be used to build new homes to meet local needs. The homes will be available for 10 years with a percentage being sold off after that date—the number depending on house price inflation, and the remaining homes having rents reduced to an affordable level. This could provide an opportunity in the North to increase supply without grant.

10.4 However, any alternative to the current system would need to help create a consumer culture, increase choice and drive up standards in the sector. Empowering people to make their own choices and budget their resources. This would need to be coupled with support for the vulnerable to navigate the system and have a voice which will enable them to make more informed choices.
11. **The Impact of the Operation of Council Tax Benefit on the Affordability of Rented Housing**

11.1 Council tax benefit impacts on affordability for those who have accessed it. However, the operation of council tax benefit means that there is limited impact on affordability as take up is low and the system used to calculate entitlement does not allow for a sliding scale of affordability, leaving many on low incomes facing high council tax bills. This in turn is creating disincentives to work. The DWP are aware that up to one in four pensioners fail to apply, and three quarters of a billion goes unclaimed by pensioners. Help the Aged argue that the problem is large and growing. From this evidence we can argue that operationally council tax benefit does not impact highly on affordability. Clearly, the system is complex and people do not understand it.

11.2 Research by the New Policy Institute in 2005 concluded that if council tax benefit was better presented and administered and had higher levels of take up then it would act to protect people on low incomes from bills they cannot afford (The Impact of Council Tax on Older People’s Income). If the current system is to remain, we recommend that the Government introduce targets on the take up of council tax benefit, review the income thresholds and provide services to support people to make claims.

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**Memorandum by Michael Clare (SRH 06)**

I am a former Police Officer of 30 years service and now a member of the support staff employed as a Crime Prevention Design Adviser (CPDA), by the Thames Valley Police. The particular parts of the enquiry I am interested in are:

— The level of public funding required to meet social housing needs.
— The role and effectiveness of private rented housing in meeting housing needs.

I would like to make the following submission:

We all need somewhere to call our home, whether it is owned by ourselves, part owned with another stakeholder or fully owned by a Registered Social Landlord (RSL), or even privately rented. Part of calling somewhere our home is having somewhere to relax, socialize, bring up children; where we can store/use our possessions and be part of a cohesive society (as promoted in PPS1 para 36—create safe and accessible environments where crime and disorder or fear of crime does not undermine quality of life or community cohesion . . .). In a press release from SEERA, dated 23 April 2004, relating to a survey of residents in the South east, one of the findings was that: “Crime and vandalism were mentioned as a priority to address by 46% of the respondents”. This shows the importance amongst residents of Crime Prevention, no matter what their tenure.

It is therefore important that any public funding required to meet housing needs, needs to make sure that the dwellings provided are not only suitable for habitation, are sustainable in various ways and also, in the built form, are resistant to crime. Private rented housing also needs to meet the same criteria, so that residents feel secure in their home and surroundings. In some ways the residents of social housing and private rented housing are the more vulnerable in society as invariably they are in the highest density developments and cannot afford to make their homes more secure than they already are when built. Invariably they cannot afford new BS 7950 crime resistant windows, BS Pas 23/24 front and rear and french doors, outer door locks to the BS3621, or even if the needs arise, to have fitted an alarm. They are stuck with whatever they have been provided with. It is therefore important to provide a home that not only fulfils all the other planning requirements but is also resistant to crime, without making the dwelling look like a fortress. The British Standards I have mentioned above do such a job in that they make the shell of the home/building resistant to crime, whilst not detracting from the aesthetic appearance of the development. The above British Standards are one part of the Association of Chief Police Officers crime prevention initiative (ACPOcpi), which is promoted by the Home Office and within the design guide “Safer Places-The Planning System and Crime Prevention”, which says at page 34, “The Secured By Design initiative offers in-depth advice on physical protection as part of a broad approach to designing out crime. It also sets out technical standards for building security . . . it forms an essential part of the crime prevention toolkit".

I would therefore wish to promote to you, that any housing should, when built (whether it be social/private rented/or other tenure), achieve the Secured By Design standard in the built form, (in some cases depending where it is in the country as a minimum standard), so that any new development is resistant to crime. I have attached a copy of a Secured By Design Focus newsletter that details a regeneration programme on a housing estate in Glasgow where Secured By Design (SBD) doors and windows were fitted which resulted in a 75% drop in house breaking (burglaries).

The Association of British Insurers (ABI) have conducted research and produced a booklet entitled “Securing the Nation: The case for safer homes”, which I have also attached. The report assesses the cost of SBD for different types of home and also the potential savings for the consumer and the national economy and concludes that the physical security measures of SBD should form the basis of any future regulation. The words in this document I find compelling and wonder why anyone would not want to have a home not built to the Secured By Design standard in the built form.
The Sustainable and Secure Buildings Act (2004) included proposals for improving home security using the SBD model and although passed has never been enabled so as to improve the quality of the built form. I have to assume that since the Government have not enabled this Act then they have stalled in their interest in reducing domestic crime by removing the potential for it in the built form. I would therefore ask that you recommend to Government that this Act be enabled to help secure not only private rented accommodation but also other tenures of accommodation, because it would be wrong to stigmatise or discriminate against any different tenure of occupation. The European Convention on Human Rights says in Article 25: (1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family.

Memorandum by Mr Dave Holliday (SRH 07)

From experience, dealing almost entirely at the “cheapest end” of the private rented sector, I have formed the opinion that the reproduction of the human race is the most important factor. Commonly-held and taught are the three human needs: food, shelter and sexual reproduction and, whilst in a developed country with lower birth rates, there is undeniably population growth—just the other day it were announced that UK has exceeded 60 million—and concomitant demand for more space.

I have visited too many bedsits in houses in multiple occupation (HMO), where there are children in wholly unsuitable housing conditions, sharing a room with one or both parents and sharing bathroom/wc with many more; those children of school age must return to their home, try to study, do homework, whatever; and of course, whilst renting accommodation the monies paid in rent, in truth, does little more than line the pockets of the proprietor.

Memorandum by the Law Commission (SRH 08)

Introduction

Since 2001, the Law Commission has been engaged in a major review of the law relating to the regulation of the rented sector of the housing market. The first part of the review was completed in May 2006, with the publication of the report Renting Homes. This, with the accompanying draft Rented Homes Bill, sets out recommendations for a new legal framework designed to simplify and make more effective nearly a hundred years of increasingly complex housing legislation.

The second part of the review, on the proportionate resolution of housing disputes, is well under way. An Issues Paper was published in April 2006, and will lead to further proposals for reform early in 2007. The third project focuses on the prevention of disputes by the encouragement of good housing management practice and tenant behaviour. It will explore the extent to which legal mechanisms can be used positively to promote good behaviour, rather than simply—as too often happens—focusing on imposing sanctions on those who break the law.

The Law Commission notes the Terms of Reference for the Select Committee’s Inquiry. This submission does not directly address any of the specific matters listed. But we believe the current archaic, complicated and counter-intuitive state of the law is a serious obstacle to increasing the supply of rented housing in both the social and private sectors. Our proposals for a modern, flexible and fair legal framework is a precondition for a modern, flexible and fair market in rented housing. This submission explains how this policy objective can be delivered without adding another layer of legal complexity to an already over-burdened body of law.

Renting Homes—The Key Principles

At the heart of the Renting Homes proposals there are two core principles, both of which relate to the supply of rented housing.

1. The first is “landlord-neutrality”. The Rented Homes Bill creates the means for separating the identity of the landlord from the terms under which landlords rent their accommodation. Under the present law, local housing authorities can only let on secure tenancies; Registered Social Landlords (RSLs) only on assured tenancies. Although local housing authorities and RSLs are, broadly, in the same business—providing accommodation to those in need—the current law prevents them from working completely in harmony. A local authority cannot enter a partnership with an RSL to develop new housing on equal terms. The Rented Homes Bill allows just that. Indeed, it also enable private investors, should they so wish, to enter the social rented sector and let on exactly the same terms as local authorities and RSLs. (This would enhance the capacity of the private rented sector (PRS) to make a more effective contribution to meeting social housing need—one of the key points raised in the issues of concern to the Select Committee.)
2. The second is “consumer protection”. Underlying the detail of the Law Commission’s recommendations is a very straightforward proposition. Parliament has, for the best part of 100 years, sought to create rights and impose obligations, as between landlords and those who rent from them. But there has never been any very effective mechanism for informing landlords and their contract holders about their mutual rights and obligations. It is for this reason that the Commission recommends that all landlords should provide a written copy of their agreement, which should contain a statement of those mutual rights and obligations. The detail of what is contained in the agreement is, of course, for Parliament to decide. The model agreements which have been drafted by the Commission reflect the current state of the law. They could be amended as and when Parliament decides this would be desirable. (Indeed the Housing Act 2004 already contemplates changes to the law, for example on the definition of overcrowding, on the provision of energy efficiency certificates, and schemes for protecting tenancy deposits. Information about these matters would be directed both to landlords and their contract-holders through the statutorily prescribed agreement.) Acceptance of these recommendations would be a key element in the “professionalisation” of rental housing providers, particularly in the PRS. There are strong indications that potential investors would welcome the changes in the law recommended by the Law Commission, which would help to increase their interest in making additional investment in the supply of rented housing.

RENTING HOMES AND THE SUPPLY OF HOUSING

In relation to the issues of concern to the Select Committee, improvement in the supply of rented housing can be achieved in two ways: provision of more housing for rent; and better use of existing stock. The Law Commission’s recommendations relate to these objectives in the following ways:

1. Investment. In relation to the provision of more housing, the ability of developers to work more closely should ensure that sources of investment, whether from the public purse or from private investors, is used more efficiently.

2. Professionalisation. Significant private investment in the development of new housing for rent is constrained, at least in part, by the current inadequate legal framework. As mentioned above, large institutional investors have told us that the current state of the law is a serious disincentive to investment in the private sector.

3. Shared equity schemes. Although the Renting Homes report does not specifically consider the question of shared equity schemes, there is nothing in the legal framework for renting housing that cuts across policy developments in relation to shared equity schemes or other policies designed to assist renters to start to acquire an ownership stake in their dwellings.

4. Asset management. As regards the better use of existing properties, the Law Commission noted that the present law already gives social landlords (both local housing authorities and RSLs) legal powers to place tenants in suitable alternative accommodation. The fact that the powers are rarely exercised in practice does not mean they do not exist. But by making “estate management” one of two grounds on which possession may be granted by a court, the new legal framework emphasises the importance of ensuring that, as far as possible, social landlords are encouraged to match available accommodation to individual housing need. (There are of course constraints built into these principles—alternative accommodation much be “suitable” and it must be “reasonable” to require a person to move—the question of reasonableness ultimately being determined by a judge.)

5. Allocation. The levelling of the legal playing field between different social landlords also means that, in allocating accommodation, local authorities and RSLs can work in an even more co-ordinated fashion than they already do. They will be able to reassure those who might be accommodated more appropriately in, for example, an RSL property rather than a local authority dwelling, that the terms of any new letting will be on exactly the same terms. The argument, sometimes heard, that an RSL tenancy is a “second-class” form of tenancy will be a thing of the past. They will be the same.

PROGRESS WITH THE RECOMMENDATIONS

The Commission’s recommendations are currently under consideration by the Government. No response is expected before the end of November at the earliest. And given the range of activity currently in progress on the future of housing policy, the Commission would not be surprised if they received only a holding reply at that stage, with a more formal decision later.

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2 This point was strongly made in discussion at the launch of “The Future of the Private Rented Sector” essays published by the Smith Institute in June 2006.

3 A lot of detailed conditions are set out in the Rented Homes Bill as to when this ground may be used. These are designed to strike the appropriate balance between the needs of the current occupier and the requirement of the social landlord to get a better “fit” between accommodation and occupant.
The Commission has been briefing Ministers and their officials about the scheme they have recommended. It is also clear that significant stakeholders in the housing market strongly support the broad thrust of the Commission’s recommendations. (These include: the Housing Corporation, the National Housing Federation, the Chartered Institute of Housing, the British Property Federation and the National Consumer Council.)

CONCLUDING REMARKS

Many aspects of current government thinking relating to housing in general and rented housing in particular are currently the subject of review. The Select Committee will be aware of Professor John Hills’ assessment of social housing for the Secretary of State.

Typically, governments develop policy and then ask how this might be made effective, and what legislation is required to deliver the policy. The timing if the current exercise is such that there is an historic opportunity to put in place a new legal framework that not only facilitates the delivery policy for the future, but also simplifies and clarifies the rights and obligations of the millions who already rent their homes. This would be a significant contribution to improving the supply of rented housing.

Memorandum by East Midlands Development Agency (SRH 09)

INTRODUCTION

1.1 Achieving balanced housing markets and supporting the development of sustainable communities are among the key strategic priorities supported by regional development agencies in both their Regional Housing Board and broader roles in relation to social inclusion.

1.2 Looking at the range of issues to be examined by the Inquiry into the Supply of Rented Housing, this response focuses on two main issues:

— the need for further investment to meet social housing needs; and
— the relative funding priority being given to social rented housing as opposed to shared ownership and other forms of below market housing.

REGIONAL ISSUES

1.3 The Evidence Base for the East Midland’s regional economic strategy recognises that access to high quality housing and the creation of balanced housing markets are key elements in the region’s attractiveness to both employees and investors and is crucial to enhancing economic competitiveness, promoting social inclusion and supporting sustainable communities.

1.4 The Evidence Base identifies affordability as a key concern for the region with house prices almost doubling in the past five years; a much higher rate of increase than in England and Wales as a whole. The Regional Housing Strategy has identified many parts of the region such as the Peak District, parts of Northamptonshire and Lincolnshire and parts of many urban areas where affordability is an increasing problem. The current Regional Spatial Strategy has set a target of 25% of all new dwellings to be affordable. However, less than 10% of all new houses built in the region in 2003–04 were defined as affordable. In the same period, the number of priority need households living in temporary accommodation in the region increased by 27% and the number of households on local authority waiting lists rose by 34%.

1.5 With 43% of total dwellings in the region located in rural areas, the performance of rural housing markets is of particular concern. The percentage of rural housing stock in local authority ownership fell from 13.4% in 1997 to 7.6% in 2003 and there has also been a slight fall in rural housing stock owned by other public sector organisations. This change has been compensated to some extent by the rise in the percentage of housing stock provided by registered social landlords which increased from 1.8% to 5.3%. In attractive rural settlements such as Derbyshire Dales and High Peak, increasing the stock of affordable housing has become a major priority due to a combination of loss of council housing through Right to Buy and the growing numbers of second/holiday homes.

1.6 In their recently completed study into affordable housing to inform the new East Midlands Regional Plan,5 the Cambridge Centre for Housing and Planning Research shows that across the region’s housing market areas, interim estimated annual targets for the provision of social rented and intermediate market housing as a percentage of all new dwellings range from 26% in North Northamptonshire to 54% in Peak

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Dales and Park. The overall average affordable housing target for the region has increased from 25% to 32% of all new dwellings completed. Of the 32% target, the majority (27%) should be for social renting with 5% for intermediate housing such as shared equity products and intermediate rented housing.

National Issues

1.7 From an RDA perspective, house prices, range and quality of housing, and the availability or lack of affordable housing have implications for regional economies in relation to recruitment and inward investment. The Barker Report also identified a clear relationship between housing supply and rising prices and the impact on the economy.

1.8 While there is a need to ensure that housing systems respond to markets, it is also important to have an associated not-for-profit sector to address increasing levels of homelessness, meet the housing needs of low income and disadvantaged households, and also meet the needs of those households which are unable to buy without some form of support such as shared ownership schemes.

1.9 In relation to asset-building, there is also an argument for further exploration of new ways of allowing existing tenants in social rented housing who cannot participate in Right to Buy or other shared equity programmes, to benefit from the increased value of their homes. There is also a need to examine ways of ensuring that subsidised shared equity housing is available into the longer term to subsequent purchasers.

1.10 There may also be a case for removing the Right to Buy from areas with severe affordability problems such as rural settlements, and for local authorities to be given a first option to buy ex-Right to Buy properties which come back on the market for sale.

2. Affordability and the Supply of Housing, ODPM: Housing, Planning, Local Government and the Regions Committee:

Related to the need for further investment in social rented housing, the relative priority given to shared ownership and other forms of below market housing, some useful observations have been made by the recent report from the Housing, Planning, Local Government and Regions Committee:

— The Committee recognised that there is an overwhelming need for social rented housing to make up for the shortfall in supply and to recoup significant losses in social housing that have occurred over the last 15 years and to tackle the increased numbers of families living in temporary accommodation or in overcrowded conditions.

— Although government funding to the Housing Corporation has increased considerably since 1998, a significant proportion of this additional funding is now being spent on shared ownership and equity share schemes. As well as expanding equity share schemes such as the new Homebuy initiative, the Committee recommends that equal importance should be giving to increasing the supply of social rented housing. Up to 2002, the proportion of funding spent on social rented was relatively constant at about 80–90% of the Corporation’s total investment programme. In 2003, the Corporation’s expenditure was increased by £787 million but the share of funding spent on social housing fell by 12%. In the last two years, more than 40% of the homes completed with funding from the Housing Corporation have been shared ownership or equity share, compared with 25% in 2002.

— Research by Glen Bramley and Professor Steve Wilcox for the Housing Corporation’s Home Ownership Task Force suggests that of all newly forming households, less than 40% could afford to buy outright in the local market.

— However, in areas affected by high house prices, the benefits of intermediate housing schemes can be limited where they are only affordable to a small group on the margins of homeownership.

— While low cost home ownership programmes can meet the housing requirement of specific groups which housing authorities wish to retain or attract to particular areas, the Committee recommends that the government ensures that they operate in such a way as to support increases in overall housing supply rather than intensifying pressure on existing supply. The benefits arising from the public subsidy of low cost home ownership also should be passed onto future purchasers.

— The Committee recognised that there will always be a sizeable number of households which either cannot afford to buy or choose not to.

— In relation to increased levels of consumer debt, the Committee recommends examining opportunities through the Housing Corporation for homeowners to reduce the equity they own in their homes to avoid losing them.

The buy to let market is attracting additional investment and new opportunities for private renting in many town and city centres. In some areas, however, the transient population living in the private rented housing adds to the instability of the area; the activities of investment funds can skew, albeit temporarily, any indicators of affordability as the house prices reflect the expected financial return rather than what the local population can afford. Certain socio-economic groups within the local area can thus be excluded from homeownership. The Committee recommends local authorities to take account of the potential impact of housing developments being used as buy to let schemes when giving planning approval.

Memorandum by South West Regional Development Agency (SRH 10)

1.1 In the South West, the Regional Housing Body has, through its Regional Housing Strategy prioritised the provision of new affordable homes (as opposed to meeting decent homes standards, private sector rented provision etc), and within that given a priority to the supply of social rented homes.

1.2 The SW has received a significant increase in the allocation of funds from central government, reflecting the extreme affordability crisis that exists in the region. The SW is the only region with above average house prices and below average incomes. In the SW we will use the intelligence gained from the Housing Market Assessments to inform future decision making on the distribution of public funds between areas and between tenures.

1.3 At the moment we prioritise funding to a number of key growth areas, however, I have put the case at the Regional Housing Body for putting a higher proportion into those areas where significant growth will not occur, as these (the growth) areas will be better placed to provide a significant proportion of their affordable housing by cross subsidy through the planning system—simply by virtue of the numbers they will deliver. Other more rural areas will find it harder to do this as they will be delivering significantly lower numbers overall, and in many instances experience higher unit costs per affordable home.

1.4 As to who should deliver and manage social housing, this is a matter of where does the relevant expertise and experience lie? Historically (pre 1980’s), local Authorities were considered to be poor managers of housing—hence the move to supply and management through RSLs. I am not aware of any evidence to suggest that, even if LAs had the relevant skills—which by and large now they do not—that they would be any better managers of housing than they were previously.

1.5 In the South West the Regional Housing Board has to date played an important role in identifying priorities for the use of public funds. The Housing Corporation have certainly then reflected these agreed priorities in their annual allocation process. The private sector are represented on the Regional Housing Board but their influence has been less marked. This is only likely to diminish further in an enlarged, Regional Assembly lead, Board—following the requirement to merge with the Regional Planning Body.

1.6 The planning system can play an important role in delivering affordable housing. Most obviously it provides the land on which to build, but it can also—through s106 agreements—provide the finance. This latter component has, in my view been less well exploited as too often public sector funds go into support the provision of social rented housing, rather than exploit the availability of cross subsidy. We need to see much better, and importantly, clearer planning policies which state that no public sector finance will be available for social housing through a s106. This will only work where the policy is clear and all developers work to a level playing field, and where the Local Planning Authority satisfy themselves beforehand that the economics of their area and their plan will support this. Through better intelligence gathering during the plan making stage, LPAs should be able to determine the appropriate levels of affordable housing required on each site and the approximate economics of achieving this.

Memorandum by Milton Keynes Council (SRH 11)

1. BACKGROUND TO MILTON KEYNES

In 1999, the price of an average property in Milton Keynes was 3.7 times the average earnings of someone working in the authority. By 2003 this had risen to over 6.3 times the average earnings. The relationship between local purchase prices and local incomes is clearly important. In the first quarter of 1999 an average house in Milton Keynes sold for a price which was 71.3% of the South East average—so housing in was much cheaper than the regional average. At the same time an average house in Milton Keynes sold for a price which was 115.6% of the East Midlands average. By the first quarter of 2001 an average house in Milton Keynes sold for 145% of the price of an average house in the East Midlands, but by the first quarter of 2006 this had fallen back to 116.5%. Meanwhile, the average house price in Milton Keynes is now 76.6% of the South East average. Therefore, the average house in Milton Keynes is still much less expensive than in the rest of the South East of England, but is more expensive than in the neighbouring East Midlands area.
In the second quarter of 2000, 50% of all completed property sales were priced at less than £80,000. This figure was below 10% of all sales in 2005. £80,000 is a key price band because it is around the maximum mortgage which is likely to be available to single first time buyers from key worker groups such as teachers, nurses and police officers. Affordability for this group of workers has declined sharply. Conversely, the number of houses selling for over £150,000 has risen from around 15% of all completions to over 50% of the total. The stabilising of house prices in 2005 is reflected in the number of properties selling for under any particular price band also remaining stable. However, the level at which prices have stabilised have left the vast majority of properties in Milton Keynes beyond the reach of many first time buyers.

In Milton Keynes the Draft Housing Needs Study 2006 (by Opinion Research Services Ltd—ORS) identifies a need for 20,978 additional dwellings over the next five years. The net requirement is attributable to an indigenous growth of 5,266 households (as more households form than dissolve) coupled with a net gain of 15,713 households through migration. This equates to annual requirement of around 4,200 new homes per year. By contrast, the policy requirement for MK in the draft South East Plan is 15,000 dwellings over the period 2006–11 which will require building new homes at the rate of 3,000 dwellings per year. A rate of 3,000 homes a year, whilst below the figure suggested in the ORS study, is in itself a level rarely achieved in the heyday of the former Milton Keynes Development Corporation and more than twice recent completion rates—a considerable challenge. This has implications for the extent to which the needs identified in the HNS can be met—in a system that is largely dependent on the market, the lower the completion figures, the less likely we are to meet local housing needs.

The balance of housing requirements calculated so far in the Draft Study is 13% social housing, 15% intermediate housing (including sub-market/intermediate rented housing, shared ownership etc) and 72% market housing. This balance is determined on the basis of affordability, assuming that the relationship between house prices and income remains constant.

The annual social rented element would equate to around 545 new homes each year. These figures are still subject to some discussion but it is clear that in Milton Keynes there is a very pressing need for social rented housing.

The figures also show that significant amounts of funding will be needed for other intermediate tenures. Whilst there is a clear need to provide funding for social rented housing intermediate housing should not be forgotten. Indeed funding for this sector will contribute towards providing mixed and sustainable communities. This issue is reflected in this submission.

2. Costs of Providing Social Rented Housing and Resources

The amount of Social Housing Grant needed can be calculated by multiplying the 545 new social rented homes by the average Social Housing Grant per Unit figure (Social rent, 2006–08 National Affordable Housing Programme). The average for the Programme in Milton Keynes was £42,000 per unit. So the annual cost for providing the social rented housing that the Draft Housing Needs Study is showing would be £22 million. There would need to be a significant shift in the level of public funding to the South East Region in order to bring this about. A word of caution needs to be added here. This figure is taken from a Draft Report which is still the subject of much discussion. It, could, if anything, increase—the figure of £22 million based on 545 new social rented homes per year should therefore be seen as a minimum figure.

The National Affordable Housing Programme could be more focused in its approach to the Growth Areas. Whilst it is accepted that this would have to be at the expense of other areas in the Region, most other areas do not have Growth Area status and arguably Growth Area status should bring about a higher level of funding than we are currently experiencing.

The Council could also provide more funds if the Government changed the rules around capital receipts pooling. In addition, there is a clear case for allowing the Council to use all of the capital receipts that it receives in respect of assets built by the former Development Corporation (instead of being obliged to repay them to the Government as currently required).

There needs to be more encouragement local authorities to build its own homes where it wants to and where it is able to. If a local authority wants more council housing then it should not be discouraged as currently simply because it runs contrary to a Government policy decision. In our view Government advice has been too focused on how local authorities should be disposing of stock, whether it is permanently (by stock transfer) or by shorter-term arrangements (such as Arms Length Management or the Private Finance Initiative). Such proposals are one-sided and are mistrusted by many local communities. It also removes housing from democratic public control and places it in the hands of “not for profit” organisations that make “surpluses” (a difference which can be hard to disentangle).

The usual argument that the Government traditionally uses against allowing local authorities building their own homes generally centre on “value for money”. The introduction of the Housing Act 1988 gave housing associations the onus to raise most of the money its needs form the money markets rather than from Government subsidy. Successive Governments were then able to say that the resulting capital costs
represented better value for money (as typically it only had to find 50% of the capital costs of a scheme as opposed to 100% for a council housing scheme). This issue could be resolved by simply allowing local authorities the same freedom as Registered Social Landlords to bid for the public funds that they need from the Housing Corporation. However, behind this is a further argument that successive Government’s have used which ultimately come down to one economic argument—that this would raise the Public Sector Borrowing Requirement (PSBR) which is seen as “a bad thing” (traditionally because of its alleged effects upon inflation). This problem in turn could be solved if the Government were to move towards the Central Government Financial Deficit model of accounting which we understand is more normal in Europe and which has the effect of treating borrowing for capital investment differently.

However, it would be wrong for the Inquiry to simply focus on housing numbers and/or the associated capital costs. Any increase in housing numbers will need an increase in funding for physical infrastructure and community/social infrastructure. An example of the type of community/social infrastructure needed is the Supporting People Budget. This aims to meet the support needs of the most disadvantaged in our society and enable them to take their place in the community. Yet since the inception of Supporting People the budget nationally has been continually cut. This has been the case in Milton Keynes and it is hard to reconcile this with our Growth Area status.

A further issue that the Inquiry needs to consider is that of quality and in particular, in space standards. We believe that there needs to be a nationally minimum space standard for rented housing in the first instance. There is also a case for a more acceptable standard for the private sector.

In Section 1 of this submission the point was made that the funding and delivery of intermediate tenures should not be forgotten. Such tenures make a contribution towards meeting housing need and providing mixed and balanced communities (as no-one wants to return to single-tenure estates as was the norm in the days of the former Development Corporation). In other words there is a case for making public funding available for meeting identified local housing needs irrespective of tenure (rather than the current system whereby the Housing Corporation has to “earmark” a certain amount of its funding for social rent and a certain amount for shared ownership).

3. VIEWS OF THE MILTON KEYNES LOCAL HOUSING STRATEGIC PARTNERSHIP

In Milton Keynes the Local Strategic Partnership has set up a number of sub-groups looking at key strategic topics. Housing is covered by a Local Housing Strategic Partnership which consists of key stakeholders (for example Parish Council’s, Shelter, the local REC, Registered Social Landlords, Milton Keynes Partnership). The Council recently consulted this group about the Select Committee’s Inquiry. Consequently its views form the basis of the Council’s submission to the Inquiry.

The views can be summarised under the following topic headings:

— The role of the Private Sector and Private Sector Landlords.
— The Equalities Gap.
— The Planning System.
— The Importance of Quality.
— The Balance between meeting Local Needs as opposed to a Regional/Sub Regional Need.
— The Need to Improve the fabric of the Existing Stock and the Quality of Life of Residents.
— More Social Rented Housing is clearly needed.

4. THE ROLE OF THE PRIVATE SECTOR AND PRIVATE SECTOR LANDLORDS

In our view the reliance on, and the de-regulation of the private sector is a cause for concern. For example, the use of assured shorthold tenancies may well have encouraged more landlords to come into the market as it makes it easier for landlords to regain possession (in comparison to a council tenant holding a secure tenancy). However, this does leave residents living at the whim of a private sector landlord. Such landlords are always free to sell with very little notice which makes for a lack of security for residents. Private landlords often appear to be individuals who have little or no training or expertise in the complex business of managing/letting properties. Perhaps one way to resolve this perception would be for local economic development agencies to assist landlords with business planning.

Whilst the private rented sector can be useful (for example in providing short-term accommodation) it does have a number of other problems. Monthly rentals are considerably more expensive than the social rented sector. The Draft Milton Keynes Housing Needs Study 2006 shows that existing rents in the social sector tend to be around the target rent set by the Housing Corporation. Even the cheapest properties in the private sector typically cost double this amount. A further problem is the practice across the sector of charging rent in advance as well as a deposit.
A further barrier is the Housing Benefit regime. Ironically the only people who can afford to live in the private rented sector are those who are financially better off, and those who are solely reliant upon Housing Benefit to pay the rent. This in turn creates a poverty trap and the proposed Housing Allowance does not provide a solution to this conundrum. This has clear implications for delivering sustainable communities and for equalities.

In our opinion these problems could be resolved. The Government could make any future encouragement for the private sector dependent upon a set of national standards to ensure competence and professionalism in management. There could/should also be a requirement that all landlords should enter into a binding Area Agreement to ensure common standards of high-quality management irrespective of tenure.

5. The Equalities Gap

The Partnership is concerned at the increasing residualisation of social rented housing. & the corresponding effect on creating mixed tenure/communities. There is a widening inequality gap. In Milton Keynes for example, one estate which comprises mainly social rented housing has a lower level of life-expectancy. Social rented housing appears increasingly to be identified with those in the worst social/economic circumstances. The Government’s continued emphasis on home ownership options serves only to devalue rental housing as a tenure and reinforces the feeling that social rented housing is only for those people in society who can’t attain or aspire to how ownership. Indeed, some of the options being encouraged (such as shared ownership) are increasingly becoming unaffordable in Milton Keynes. For some particular groups such as families with large numbers of children, the price of a four or five bedroom property is simply unobtainable. Some government schemes, e.g. Homebuy appear to accept and perpetuate high cost housing solutions i.e. through giving people interest free equity loans for up to £50K. Also, the potential downside of pushing home ownership with regards to the effect on labour market mobility is not recognised.

Situations can also arise where “Buy to let” investors are offered or can negotiate preferential terms. This displaces, out-prices and of course upsets prices those who might otherwise be in a position to buy. This happened on a development in Milton Keynes in the Netherfield area fairly recently.

Again, these problems can be solved. The Government could stop emphasising how the private sector in general and how home ownership in particular is the state to which all should aspire. Over time, right to buy can undermine a mixed tenure approach to new development. The language used to describe social rented housing needs to change—perhaps the phrase rental housing should be used instead?

6. The Planning System

Even if the Inquiry was to conclude that more social rented housing is needed, how would it be delivered? A view expressed at the LHSP by planning colleagues is that there is an over-reliance on the planning system to provide social rented housing. In practice virtually all house building is carried out by private sector house builders. The Council is not encouraged by the Government to directly provide its own housing (even on its own land). Even housing association/registered social landlord properties are built by the private sector (usually as part of a larger development owned by a house builder or by the private sector as a building contractor).

Many Local Planning Authorities (LPAs) have to work in the dark with regards to knowledge of the amount of Housing Corp money that will be available to assist in their areas, both in the short and long term. The viability of social rented housing on most sites and even the development viability of a site can be extremely dependent on grant. The Housing Corporation in my experience is an organisation that gives the message that it is committed to working with local authorities to deliver affordable housing but of course it has to meet government priorities, rather than local ones.

The planning system must be flexible enough to respond to changing priorities. This can be difficult where outline consents for major developments fix tenure splits at the outset. A developer will not agree to something that they can’t cost. One way round this would be through the developer making available free land, with the Housing Corp/RSL making up the extra cost for more grant hungry tenures. However, to some extent the government has defeated itself in terms of reducing affordable housing costs through guidance such as Circular 6/98 and the move to reducing the role of local preferred partner RSLs. This has meant that attempts by local authorities to reduce RSL costs through planning obligations (such as free land for local partners supported through ADP, or local partners agreeing not to pay more than £x for a site) have been undermined by outside cash rich RSL competitors bidding for land and subsequently bidding up the price payable to the landowner (which in turn has to feed through to higher housing costs to the subsequent occupants).

The physical delivery of housing is in the hands of private house-builders, not local authorities. House builders are in an extremely powerful position and this has to be a matter for some concern. Whilst there is no denying that the private sector has resources and expertise that isn’t largely enjoyed by the public sector, there is a major democratic deficit. Private house builders are primarily in business to make profits for their respective shareholders—they are not in business to meet the social and economic well-being of the communities in which they want to build. Consequently house builders resist delivering affordable housing (especially social rented housing) because of the effects on their land values.
House-builders often point to the planning system (and by default) local authorities as the problem or obstacle to housing delivery. However, to deliver the social rented housing that is needed, the planning system should if anything be strengthened in the favour of local authorities. Put simply, the planning system should be strengthened in favour of the Plan, not profits. The Government can achieve this in a number of ways such as:

- Giving greater clarity on how to do housing needs assessments;
- More support for tenure—specific housing policies in planning documents;
- Ensuring that Planning Delivery Grant is made available to both “reward” those local authorities that are doing its best to meet housing delivery targets (such as Milton Keynes). Conversely this can (and should) also be used to improve performance elsewhere in those authorities that does not enjoy the level of planning expertise that Milton Keynes enjoys. It can also be used to ensure that planning systems remain professional and flexible enough to respond to changing priorities;
- Finalise its intentions concerning the “planning gain supplement”, tariff approach to S106; and
- Making the Sustainable Code mandatory for the private sector as well as the public sector.

7. Importance of Quality: Improving/Using the Existing Housing Stock and the Existing Community

There could well be a case for considering better use of the existing housing stock as a way of increasing the supply of social rented housing. This could work in a number of different ways. A return to a Government-funded Cash Incentive Scheme would be an effective and value for money way of encouraging local authorities to set up schemes that in turn enable more people to move from existing unsuitable accommodation to better accommodation elsewhere. Whilst an increase in Disabled Facilities Grants/Aids and Adaptations could (and would) have an impact it would not in itself solve everyone’s problem. An incentive to move to vacant, more suitable stock elsewhere could help people who are faced with having to make these choices. This in turn links to the point made earlier about the Sustainable Code only applying to the public sector. A further point is that there seems to be a case for minimum space standards for all housing. This is because the response by some house builders to rising prices has been to make their Markey housing cheaper by providing very small units (eg Redrow Debut/D Wilson Homes IPad) Ironically, if this continues, the private sector will have lower space standards than RSL units on a site that comply with the Housing Corporation’s Scheme Development Standards.

There should similarly be more incentives for local authorities to improve its own stock and stock in the private sector. A key incentive would be to release local authorities from the vagaries of the Housing Revenue Account Subsidy System. The rules effectively mean that many authorities have to repay large sums to the Government each year. Nationally this is around £1.3–£1.5 billion. In Milton Keynes we had to repay £6 million in the 2005–06 year and are facing the prospect of these repayments rising by around £1–£1.5 million each year. These resources could be better used locally for example by meeting an enhanced Decent Homes Standard or by refurbishing/improving unpopular, difficult to let sheltered housing schemes. The freedoms discussed earlier (around freeing the Council from capital receipts pooling and “claw-back” of receipts from sales of former Development Corporation assets), could release more funds that could usefully be spent on meeting the Decent Homes standard in the private sector.

In some areas of Milton Keynes HMOs are starting to become the norm rather than the exception. Local communities feel strongly that there should be stricter provisions to prevent the proliferation of HMOs in any given area in order to maintain its character. There is a real issue of how private rental housing in general is increasingly viewed by some members of our community because of the impact that it can have in potentially undermining “sustainable communities”, ie town centre schemes-apartments with a preponderance of buy to let—relatively high turnover of people with a perceived lack of interest/care in their neighbours/surroundings. This is happening more in suburban new builds, where more HMOs are appearing in response to a lack of affordable housing and arguably it has the potential to be a major contributor to changes in a local community’s fortunes.

Whilst we are aware that the Housing Act 2004 allows Local Housing Authorities to put in place Selective Licensing Schemes to deal with the effects of this, we feel that there should be powers for a Local Housing Authority to prevent such a situation arising in the first instance.

Mention has to be made of the Right to Buy. It simply does not make sense that a scarce and valuable public asset is simply disposed of, at a discount, to an existing tenant. Ending the Right to Buy will straight-away stem the flow of affordable homes that pass into private ownership (and often in turn into the “buy to let” or HMO sector). Allowing local authorities to build and replace the homes that they have lost through “right to buy” should be encouraged for the reasons discussed earlier in this submission.
8. THE DEMOCRATIC DEFICIT: BALANCING GOVERNMENT/REGIONAL/LOCAL NEEDS

The number of Government Agencies/Quangos involved in the planning and delivery of housing does lead to a democratic deficit. Local people struggle to understand exactly who is responsible for providing strategic services in Milton Keynes. Local people vote for the local authority, yet many decisions around funding, planning etc are taken by Government/Regional Agencies (which local people did not vote for). This serves only to create a democratic deficit.

In Milton Keynes for example there are a number of agencies focusing on delivering the national agenda in our locality. Some examples are:

- Milton Keynes Partnership (a sub-committee of English Partnerships responsible for delivering the Growth Area);
- English Partnerships (the National Regeneration agency for England; owns significant land holdings inherited from the former Development Corporation);
- The Housing Corporation (government agency that regulates Registered Social Landlords);
- South East England Regional Assembly (responsible for regional planning);
- Government Office for the South East (representative of Government Agencies/Departments in the South East); and
- Regional Housing Board (although recently transferred to the South East Regional Assembly).

Each of these Agencies has significant powers, responsibilities, targets, funding streams, and purposes. They do not always accord with the objectives set out in the Council’s Housing Strategy (or even with each other’s policies). There are some excellent examples in Milton Keynes of joint working (such as the Joint Housing Delivery Team with English Partnerships, GOSE, Housing Corporation). However, co-ordinating all the different Government Agencies/Quangos data and activities in Milton Keynes is not easy but is essential.

One simple way to address this would be to reduce the number of Agencies active in Milton Keynes and the recent transfer of the Regional Housing Board to the South East England Regional Assembly was a step in the right direction. Obviously we will be watching the review of English Partnerships and the Housing Corporation with interest but we still feel that more could be done to rationalise the different levels of Government bureaucracy. As well as addressing the democratic deficit it should also make co-ordination easier.

A further way to redress the democratic deficit could be to give parish councils the right and the resources to provide affordable housing in its Parish. Parish Council’s currently have express powers to acquire land but not the power to provide or manage such accommodation themselves—these powers are reserved for local housing authorities. However, Parish Council’s often do not have the resources to provide or manage the accommodation. A Government initiative to encourage and fund the provision of housing through parish councils in agreement with the local housing authority, perhaps through a Local Area Agreement could be a significant way to increase the supply of affordable housing.

A key issue that the Inquiry needs to consider is for whom is the social rented housing intended? The experience of Milton Keynes as a New Town has shown all too clearly the dangers of developing lots of social rented housing and then “encouraging” people from other areas to uproot to the area. Whilst it can be mitigated to some degree this can only happen if there is investment in social/community infrastructure (as was the case with the former Development Corporation which employed a range of community development/arrivals workers). The South East Plan makes it clear that the Growth regional Growth Areas and development on other major greenfield sites will provide significant opportunities to deliver new affordable housing. However, development in these areas will not solve all the region’s affordable housing shortages and therefore the general principle will be that affordable housing needs, particularly needs for social rented housing, should be met where they arise. In our view this is eminently sensible and we whole-heartedly support this. Again, our experience as a New Town shows that local needs should (and must) be met first failing which local people will not support any increase in the amount of housing being provided.

Memorandum by the National Association of Gypsy and Traveller Officers (NAGTO) (SRH 12)

1. NAGTO represents Local Government Officers working in support of Gypsies and Travellers, including in the supply and management of appropriate accommodation. Local authority sites represent the major source of rented accommodation for these communities, whose needs are now recognised by government as a factor to be considered when considering future housing policy. Assessment of housing need must now include that for Gypsy/Traveller accommodation, and the same factors relate to the supply of sites with pitches available for rent as with more mainstream rented housing.
LEVEL OF PUBLIC FUNDING

2. Currently grants are available through the Housing Corporation for the provision of new sites by local authorities or Housing Associations, but this funding is not guaranteed to continue for more than another year. For most authorities the government initiative to have locations for new sites identified within Local Development Frameworks will not come to fruition for three or more years, and there is a disincentive to plan for new sites where there is no certainty of funding being available. Without such an incentive there is a risk that most sites identified will be snapped up privately by individuals or concerns wishing to demand a higher rent than the more socially disadvantaged element of the Gypsy/Traveller communities will be able to pay.

FUTURE ROLE OF LOCAL AUTHORITIES

3. Because of the uncertainty of funding highlighted above there is likely to be a disincentive to local authorities themselves to plan to build new sites. Yet it is the local authorities that have the background and experience to manage such sites and to provide the equivalent of social rented housing.

ROLE AND EFFECTIVENESS OF PRIVATE RENTED HOUSING

4. There are a number of successful private rented sites and more will no doubt develop. However, most Gypsies and Travellers indicate a wish to own their own small site and occupy it with members of their own (possibly extended) family. The effect of this is to marginalize those without either a richer relative able to buy and develop land or the resources to take part in a co-operative venture.

EFFECTIVENESS OF HOUSING BENEFIT

5. Current DWP regulations mean that County Councils (usually the providers of sites in areas of two-tier local government) are unable to obtain an economic rent for their sites from housing benefit, whereas Unitary Authorities and District Councils can do so, even though County Council as opposed to District Council management can provide opportunities for economies of scale. This is yet another disincentive to further provision of social rented accommodation of this nature, and could indeed lead to closure of existing sites.

IMPACT OF COUNCIL TAX

6. The majority of tenants on local authority sites are in receipt of housing benefit and in these cases will also not be paying council tax. Where such tax is paid it is normally at the lowest range, but even that is likely to be excessive for the relatively limited fixed facilities provided on caravan sites.

RELATIVE FUNDING PRIORITIES, PRIORITIES OF THE HOUSING CORPORATION ETC AND ROLE AND EFFECTIVENESS OF PLANNING

7. All of these are intrinsic to recent initiatives by government to “mainstream” gypsy accommodation requirements into general housing policy and it is too soon to make any judgement as to their effectiveness. However, it is important that as they develop the needs of Gypsies and Travellers are considered equally with the housing needs of the remainder of the community.

Memorandum by Karen Buck MP (SRH 13)

The shortage of supply of social rented accommodation (and affordable, family sized intermediate accommodation) has left areas such as my own, in inner London, in a crisis of unmet housing need, demonstrated by figures for homelessness and over-crowding. It is hard to overstate the damage that is being wreaked on families and vulnerable individuals, which in turn impacts negatively upon community cohesion (racial tension aggravated by the competition for scarce resources), health and well-being and educational achievement.
The key issues I would like to draw the Committee’s attention to are:

1. Levels of Unmet Housing Need

“I am writing this letter because I am glad that you took care of those children that needed help but now I am talking about myself, now I need your help. Me and my brother and my mum live in a 1 bed flat. I am having to share a room with my mum and my brother. I have no space to study or to play. I got no room and I don’t have any privacy to get changed. Please can you look into our case. There are so many empty houses next to my house. Why can’t we have one of those houses?”—Extract from a letter written by the son of one of my constituents.

There are currently 5,500 households on the waiting list. In addition:

(a) Overcrowding

Westminster now has one of the highest levels of overcrowding (in the council sector) in the UK. This is, in part, because of high demand, and the borough’s position as an “area of arrival” for internal and external migration, but even more because of the declining supply of affordable housing.

An assessment carried out under the new Housing Health and Safety- Environmental Health of the M family stated “. . . this housing association owned house consists of two bedrooms, suitable for three occupants. Mr and Mrs M occupy the house with their four children, girls aged 14 and 8, and boys aged 12 and 1. This assessment has resulted in likelihood of a harm outcome of 1 in 18 . . . this means that a Category 1 hazard exists at the premise”. The council has issued a suspended prohibition order prohibiting the use of the dwelling to be suspended for six months.

The Housing Association’s response was to say: “Since April, we have only had three four bedroom properties and one three bedroom property . . . all of them were in Brent and the council had nomination rights . . . unfortunately, we are unable to give Mr M greater assurances as to when he may receive an offer of alternative accommodation . . . neither Westminster nor ourselves are able to give firm time frames as to when he will move”

The B family are in a one bed-room flat. Mr and Mrs B have three sons aged 17, 15 and 11. In reply to queries the Council stated: “The family have been statutorily overcrowded for the last two years . . . the quota for statutorily overcrowded families has been met for this year . . . so it may be some time before they are re-housed”. When bidding recently for a property on the Maida Vale estate, their bid was placed 21st out of 209 and they were not short-listed

According to the Survey of English Housing 2005, levels of overcrowding in Westminster affected 12 households in every 100 in wards such as Church Street, Queen’s Park and Westbourne. The highest levels in the country can be found in Newham (where 25% of households are affected in the Green Street Wards), Tower Hamlets (20% in the Spitalfields Ward), and Hackney (15% in the Springfield Ward).

The integrity of the Choice-based lettings service is also seriously undermined by the shortage of properties available for bidding. A recent analysis showed that : the highest number of bids for a single property last year was 209 and the average number of bids for two-bed properties was 156. It is hard to overstate the tension and bad-feeling, often expressed in terms of competition between “locals” and “outsiders”, that such pressure generates.

(b) Homelessness

Homelessness continues to be a major challenge, and whilst there may be a case for a fairer regional distribution of homelessness application where there is no local connection, this only replaces a problem concentrated on a small number of boroughs with a problem distributed across the whole region (and indeed, the country).

Households in temporary accommodation face a series of disadvantages: the benefits trap locks many of them out of employment; the insecurity of their existence keeps them from putting down roots in the community; the high turnover and precarious nature of their tenancies has a negative impact on the wider community and is an expensive challenge for housing managers. There are currently just over 3000 households in temporary accommodation in Westminster.

From the point of view of effective public policy, maintaining large numbers of households in expensive, privately rented temporary accommodation makes no sense. In many cases, homeless families are housed in ex-council properties that were sold under “Right to Buy”. It is not uncommon to find two almost identical households next door to each other in almost identical flats, where one is paying £90 a week in rent, and the other, £430. Temporary Accommodation in Westminster costs in the region of £55 million annually.

Homelessness prevention is a sound policy, but displacement into the private rented sector has many disadvantages, as does a much tougher “gate-keeping” policy. This does not genuinely reduce homelessness—it merely hides it.
The committee expressed a particular interest in the role of the private rented sector and Housing Benefit in meeting housing need. Our experience is that this is very limited, because of the cost and insecurity of tenure in the private sector.

“I am a 60 year old single woman with a number of medical problems . . . .I have osteoarthritis . . . and have gradually lost some of my vision . . . . Due to pain, lack of money, visual impairments and the loss of my business, I lost my home and had to take up temporary accommodation in a guest room. I stayed there for three months but was asked to leave as it was a temporary arrangement. I then went into a rented flat and have been waiting for Housing Benefit since the spring of 2005 . . . there is a mortgage and service charges on the flat and unless I can pay the mortgage will company will take over the flat and I will be evicted. I have been in regular contact with the housing benefit office and was initially told that they had to check that I had lived in the temporary accommodation in Earls Court. I was then told that they had to send an independent person to verify that I still live at the current address. Every time I went to enquire, I was told that it was still being assessed. Then, eventually, I was told that they have a decision but to return in 10 days. When I went back last week, I was told that the file has now been sent back as I have not paid Council Tax”

The Council said:

“Mrs D . . . submitted an application for Housing and Council Tax Benefit on 19 July 2005. Unfortunately, her claim was not assessed until 22 June 2006. I feel that there were unnecessary delays by the Benefits Service that could have been avoided and would ask that you convey my apologies to Mrs D”

An additional problem within the private rented sector is the inability of councils to be proactive in advertising Discretionary Housing Payments, to help low income tenants cover shortfalls between their rents and Housing Benefit levels. Many councils do not make full use of their allocations, and others exhaust their resources leaving significant unmet need. An analysis of allocations and expenditure under the DHP system may be of interest to the committee.

2. Limitations of Supply

Despite these levels of need, the provision of social housing has declined sharply.

By 2001, the number of social housing units in Westminster was between 1,600 and 1,800 units lower than in 1981. The supply of Family-sized units, street properties and homes in more affluent wards reduced first and most sharply. Social housing now represents 29% of homes in the borough compared with 39% in 1981.

(a) Out-of-borough moves

Sub-regional partnerships were established in 2003 to help reduce pressure on high-demand boroughs by “matching” them with other councils with greater capacity. In theory, this partnership should allow households in need access to homes in lower-cost and lower demand areas. This has not worked to date. Westminster has only had access to 27 (Check) nominations in the three years of sub-regional partnerships and the number will be even lower this year.

Families keen to move out of Westminster, in need and with local connections in authorities linked to Westminster via sub-regional partnerships are simply unable to access nominations.

Mrs C has been sharing a 1 bed flat with her three children, and the property is also in substantial disrepair. An older child was living with his father in a borough within Westminster’s sub-regional partnership, so Mrs C enquired about the possibility of moving out there. The council replied to say “Although Westminster is part of the sub-regional group, we have only received a very limited supply of properties . . . there is no indication as to when the supply of properties outside the borough is likely to increase”.

Altogether, I have been told that only 14 units were made available to Westminster through the sub-regional partnership in the period 2003–06, with another 68 coming on stream in the next two years. Overall, only 90 new units are expected to come on stream this year, in-and out-of-borough.

Anecdotal reports indicate that some councils are classifying many of their new properties as “disabled units”; or are otherwise finding ways of preventing nominating councils from gaining access to more than a minimal number of allocations.

There are, of course, those who would argue that high-cost areas such as inner London should not be on option for low-income households at all. The two problems with this argument are:

— Many suburbs and rural areas do not have social or other affordable housing to offer to households in need. Many families in Westminster would like to move to places like Harrow or Barnet—but there are no opportunities for them to do so.

— The tendency will be to concentrate all low income households in places like east London, but of course, these tend to be poor areas already! In the interests of genuinely “mixed community”, there should be a fair distribution of social and low cost housing.
Memorandum by Cumbria Sub Regional Housing Group (SRH 14)

BACKGROUND

Cumbria Sub Regional Housing Group is a partnership between Cumbria’s eight statutory bodies with a housing remit (six Districts, County Council, Lake District National Park) and its eight developing Housing Associations. It has recently completed its Countywide “Fit for Purpose” Housing Strategy which may become a model of joint working in two-tier authorities.

Cumbria encompasses the extremes of England’s housing problems, with both high demand and low demand areas. The West Coast has housing market renewal status due to low demand whilst large parts of the National Park are in the worst 10 areas of the country in terms of affordability.

We will reply to the key points of your Committee’s terms of reference:

Question: The level of public funding required to meet social housing needs

Government encouragement for further increased levels of home ownership is problematic. Results from Cumbria’s recent comprehensive Housing Market Assessments show that significant numbers of households aspire to home ownership even though their low incomes and high property prices preclude them from ever owning more than a small share of the equity of a home.\(^7\) We need to be more honest about the harsh financial reality and inform aspirants in some areas that they will never be a home owner in this circumstance.

It is worth also noting that, if government is committed to a further increase in Home Ownership, given the very low incomes of households remaining in the rental sector, they will need to fund grant support to shared equity models at far higher levels than previously—in simple terms, for Housing Corporation funded schemes, the lower the amount of equity that can be purchased, the higher the proportion of the property on which rent needs to be charged, and the closer that grant rates come to the levels that are paid on other housing options.\(^8\) It could be argued that it would be a poor investment to put high levels of government subsidy into shared equity schemes where the owner has the right to staircase up to 100% ownership after 12 months—thus potentially very quickly losing that investment to the public benefit.

\(^7\) In Keswick, where average incomes are less than £19k, and the cheapest house is more than £300k, typical low income aspirants can only afford to purchase 225 of the equity—it is unlikely that they would feel themselves to be home owners in this circumstance.

\(^8\) Lake District National Park Planning Authority has already recognised this reality and will only support planning applications for sites providing affordable rented housing—there will be no more market housing and there is unlikely to be any more affordable shared equity housing.

\(^9\) Typically the Housing Corporation would provide 24% grant input into shared equity schemes and 50% into Newbuild rental schemes—the shared equity grant level would need to be nearer 40% in most areas of rural Cumbria to achieve 50:50 purchase.
Question: The relative funding priority being given to social rented housing as opposed to shared ownership and other forms of below market housing

The relative funding balance is not generally in question in Cumbria (but see above re the subsidy cost of meeting people’s aspirations—ie the increasing costs of funding marginal home ownership).

It may be worth highlighting here the supported housing problem. When the Supporting People system came into place (to fund the housing-related support costs of vulnerable individuals), the grant to each area (the Cumbria County in our case) was based on the baseline level of grant funding already going into the area. Costs have been frozen for the last three years so existing inequalities in provision have become embedded—typically baseline provision in Shire Counties was very low and according to one un-adopted government formula, Cumbria should have expected nearer £18 million grant than the current £9 million. This relative under-funding has meant that there has been little growth in supported housing in Cumbria over the past two years relative to other areas, consolidating the problem—which is unlikely to improve significantly in the foreseeable future. Thus, the inequity of the revenue funding system is restricting the supply of affordable rented housing.

Question: The geographical distribution of subsidies for affordable housing

The geographical distribution of subsidies for affordable housing is not in question within the Cumbria Sub Region (though see the implications of Supporting People Grant inequities referred to above). However, distribution is more problematic when we look at it regionally. There is a fundamental problem in that the status of rural and indeed non-metropolitan areas in relation to the “City Regions” within Northern Way is confused and underrepresented. In reality, the Cumbrian Sub Region is not an economic subsidiary of the North West—it is very much a discreet economy where housing investment and planning numbers need to be focused on the Sub Regional rather than the regional economy. At all levels in the strategic planning process, there is often an unclear recognition of the role of housing investment (particularly affordable housing) in securing and sustaining economic growth. An example would be, we are all providing new affordable housing in isolated rural communities based on housing needs over the next five years, yet at the same time we are concentrating economic growth in the key service centres (market towns).

Question: The future role for local authorities as builders and managers of social housing

Four of Cumbria’s six Districts have transferred their housing stock and one has an ALMO. The issue for areas like Cumbria is more about coordinating strategy and provision on a Sub Regional basis than who owns the stock.

Question: The effectiveness of different social housing models including traditional local authority housing, ALMOs, housing co-operatives and housing associations

No comment.

Question: The role and effectiveness of private rented housing in meeting housing needs

It is important to separate the two roles of private rented housing: low value rented for those who do not qualify for or do not chose RSL rented housing and market rented housing for those who can afford but chose not to live in owner occupation. Traditionally, housing strategy has too often consisted of overregulation of the subsidised market and unfettered market forces for the rest. In Cumbria, we are looking holistically at creating “Balanced Housing Markets” to ensure that we have appropriate ranges of housing to reflect all needs and aspirations. The first of the two private sector roles (low value rented) plays an increasingly important part in housing those households who have been excluded from specific communities or RSL stock. The second of the two roles (higher value rented) is economically important for how it facilitates labour mobility.

It is crucial that resources are found to ensure that the poorer quality private rented stock (and especially Housing in Multiple Occupation) is brought up to an acceptable standard. Standards are currently over-dependent on the priority given to grant funding by different local authorities. Although there is now a target for bringing a percentage of private sector stock up to a reduced Decent Homes standard by 2020, most local authorities do not have sufficient funds to make any significant inroads into this problem.

Question: The priorities and effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in responding to housing needs

No comment.

An example would be, we are all providing new affordable housing in isolated rural communities based on housing needs over the next five years, yet at the same time we are concentrating economic growth in the key service centres (market towns).
Question: The role and effectiveness of the planning system, including section 106 agreements in the provision of rented housing and securing mixed tenure housing developments

In this context, section 106 Agreements are seriously flawed in first ways. Firstly, they are interpreted differently in different authorities—there is a clear need for government guidance and models of good practice. Secondly, they are wide open to abuse—for example, by purchasers without a valid local connection. There is an innovative scheme operated by Impact Housing and South Lakeland District Council where shared equity purchasers (in properties developed through section 106 Planning Gain and other non-Housing Corporation funded routes) are vetted by the Housing Association who hold a “golden share” of 5–15% of the equity; Subsequent new purchasers pay a small fee to Impact for vetting them and “releasing” the sale to them.

Whilst flawed, section 106 Agreements are the best we have got and, if local authorities are confident and pragmatic in their use, can indeed make a significant contribution. However, we must say forcibly that the proposed Planning Gain Tax would be a disaster in an area of severe land shortage such as ours. We need access to a proportion of every site which comes up in high demand areas such as the Park—a financial contribution from the developer would be no use if there was no alternative site on which to spend it.

Question: The effectiveness of housing benefit as a means of providing access to rented housing to those in need.

The key questions are: if we keep HB, what improvements should be made and if we replace it, what with?

(i) Improvements to Housing Benefit

There are three issues with the current system:

(a) Housing Benefit levels on RSL properties relate to a government formula based on local property values and incomes. However, income is based on an average within district authority boundaries whilst property value is based on the notional value of the specific property if occupied in 1999. This means that in areas of broadly average income levels such as Cumbria, tenants in rural areas (where house prices tend to be extremely high and wages very low) have a disproportionately unaffordable rent. Whilst generally Housing Benefit will pay the cost of these rents, the tapers (see below) are problematic for people moving from benefit into low paid employment and the high rents that this system creates are often quite unaffordable for people on low incomes.

(b) There is an occupancy restriction for single people in private rented properties—they can claim HB based only on a notional “bedsit” rent even if no such property is available. A similar restriction does not apply to RSL properties. If an unemployed tenant moves from RSL to private sector, they are likely to pay more (since their benefit is reduced and they have to subsidise from their other income)—this discrimination discourages housing mobility and causes blockages to RSL stock.

(c) The tapers (reductions in HB as claimants’ income increases) are so steep that they are a disincentive to people moving into part-time or other low income employment. Typically, 91p of every £1 earned can be clawed back in reduced HB.

(ii) Replacement of Housing Benefit

Replacing HB with Housing Allowance or Rent Allowance for RSL tenants would be very damaging. The most recent proposal was based on the view that giving claimants a fixed cash amount would increase personal responsibility and choice. The reality for most RSL tenants is that they are on extremely low incomes, have very few if any housing choices and have significant personal pressures on their lives; the consequence is that exercising those housing choices tends not to be a key priority. The current system, if reformed, would work satisfactorily.

Question: The impact of the operation of Council Tax Benefit on the affordability of rented housing

No comment.

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11 The recently issued DCLG generic section 106 Model is regarded as too vague to be of much use.
12 A rural RSL property in Thirlmere (near Keswick) now has a rent of £95.
1. THE CHESHIRE HOUSING ALLIANCE

1.1 This submission has been prepared on behalf of the Cheshire Housing Alliance (CHA), a partnership comprising members from all local housing authorities and the largest RSLs in Cheshire. The CHA researches housing needs and aspirations in Cheshire, to identify and tackle relevant housing issues, inform the regional and sub-regional housing strategy and other broad regional agendas.

1.2 The provision of more affordable housing for local people in urban areas, market towns and rural settlements, both rented and for sale, has been identified as a significant priority, resulting in a strategic sub-regional delivery programme.

1.3 The sub-regional housing strategy sets an annual target for the county of at least 400 additional units of affordable housing to be provided through NAHP funding, until 2008 when the strategy will be reviewed. This includes new development, bringing existing buildings back into use and working with private landlords to achieve the decent homes standard and reduce the number of empty homes in the district. Achieving this target is dependent on receiving sufficient social housing grant.

1.4 Local authorities are also working to increase the number of new affordable homes in the county, in addition to the above, through the use of planning conditions, such as s106 agreements.

2. THE LEVEL OF PUBLIC FUNDING REQUIRED TO MEET SOCIAL HOUSING NEEDS

2.1 Current public funding levels are not adequate to meet the needs identified in the region; there is an urgent need for more funding for social rented housing. CHA research has identified specialist housing requirements as a priority in Cheshire, including the need for more extra care housing, physically adapted/adaptable properties for wheelchair users and housing for people with learning difficulties. The evidence shows that, as well as the need for more floating support, more specialist accommodation is urgently required particularly for the elderly, young adults with disabilities and learning difficulties and care leavers.

2.2 The expected growth in the population of elderly people in the UK is well documented. There is also expected to be a further increase in single person and single parent families in the longer-term, due to changes in household make-up and increasing levels of relationship breakdown.

2.3 An increasingly ageing population results in sustainability concerns. Employers are already struggling to fill job vacancies across Cheshire, particularly for lower paid work. This is encouraging inward migration of workers, including large numbers of economic migrants from other EU countries. This increases pressure on the housing markets in the region, as more affordable homes are needed close to available employment opportunities. Likewise, it increases pressure on other services and infrastructure; housing cannot be taken in isolation.

2.4 Growing affordability problems in the region leave many residents unable to purchase property, or to rent privately. The HBOS house price index shows the average house price to earnings ratio in the UK was 5.68:1 as at July 2006, almost twice the traditional mortgage borrowing rate of three times annual earnings. This increases the pressure on already over-stretched social housing, which has suffered from lack of investment and been depleted by the Right to Buy (RTB) for many years.

2.5 Social housing is not a tenure of last resort, but is a tenure of choice for many allowing greater flexibility in other life choices, including changing locality with relative ease (important for jobseekers) and largely removing the burden of property maintenance for elderly people. Recent research by the Council of Mortgage Lenders (CML) indicates that younger people increasingly prefer private rented accommodation to home ownership, due to affordability constraints, the need for a large deposit and difficulty in obtaining a mortgage. The drive to provide high quality, desirable rented properties shown by many RSLs fighting to home ownership, largely removing the burden of property maintenance for elderly people.

2.6 Social housing is essential for the most vulnerable members of society, including the homeless, the elderly and disabled people. As the population continues to age, the pressure on social housing will only intensify and funding levels must increase if providers are to be able to adequately house all those in need.

2.7 Extensive research by organisations such as Shelter and the British Medical Association (BMA) into the attendant negative effects of poor housing in terms of healthcare and crime etc provides overwhelming evidence that good quality housing has a real impact on such issues. Providing good quality social housing for everyone that needs it would not only benefit the most vulnerable members of our society, but would result in substantial savings to the public purse over the longer-term.

13 National Affordable Housing Programme funding, administered by the Housing Corporation (formerly known as Approved Development Funding (ADP)).
14 See Cheshire Sub-Regional Housing Strategy for further details.
16 Housing Tenure Choices by the Young, Dr Mark Andrew, June 2006, CML, available online at http://www.cml.org.uk/cml/publications/research?keyword=tenure&date=0&key—area=0&mode=search
17 See for example Chance of a Lifetime; The Impact of Bad Housing on Children’s Lives, Fiona Mitchell, Shelter, September 2006 and Housing and Health, Building for the Future, Dr Roger Burrows et al, May 2003, BMA.
3. The Relative Funding Priority being Given to Social Rented Housing as opposed to Shared-Ownership and Other Forms of Below Market Housing

3.1 Social rented housing is not given the priority it merits when funding is being allocated. Shared-ownership does have a role to play in meeting housing need, but can only benefit those on the margins of home-ownership and is not an affordable option for the majority. It is more expensive over the long-term than outright purchase, illustrated by a recent National Audit Office report stating typical shared owners had an average income of between £20,000 and £38,000, well above the UK, North West and Cheshire average incomes of £18,961, £18,100 and £21,434. It is less attractive than outright ownership in the current financial climate, as borrowing is relatively inexpensive. Should interest rates rise to any great extent and affordability continue to worsen, shared ownership may gain in popularity, but due to the necessity to pay rent, as well as a mortgage, it will remain an unaffordable option for many.

3.2 Shared-ownership may encourage excessive debt, increasing the level of poverty among owner-occupiers and the risk of repossession. Elderly householders often move into social rented accommodation in later life, rather than struggling to maintain their own property. Home ownership is viewed as an investment for old age, enabling elderly owners to release capital to fund their retirement plans or healthcare needs, rather than relying on pensions and state benefits.

3.3 Shared-ownership is currently the most likely option to be provided by developers on new sites under s106 agreements rather than rented housing, largely for economic reasons. The various elements of the HomeBuy scheme also allow access to shared-ownership-style purchase for those who can afford it so there is a good supply of this type of accommodation, whereas social housing is increasingly scarce.

3.4 The RTB scheme has severely eroded social housing stocks since its inception and receipts from the scheme simply do not cover the cost of equivalent replacement units. The number of RTB sales in the North West since 1991, some 82,924 homes, amounts to almost 15% of local authority stock in the region. By contrast, only 43,449 new social housing units were built in the North West during that period, of which a mere 1,626 were built by local authorities. This is clear evidence that units lost through the RTB are not being replaced in anything approaching corresponding numbers. Cheshire lost almost 5% of its total social housing stock last year alone as a result of RTB and Right to Acquire (RTA) sales, Similar sales levels in previous years have resulted in serious shortages in social rented stock.

3.5 Although there have been few problems to date in selling new shared-ownership properties, many people do not understand or trust the concept and it is not an affordable option for the majority of those in need. Social rented housing is therefore an absolutely necessary alternative and should command a far greater proportion of funding from the public purse.

4. The Geographical Distribution of Subsidies for Affordable Housing

4.1 There is a clear North/South divide in terms of funding for affordable housing in the UK. Affordability has long been an issue in the South, but is increasingly affecting the North of the country and the region is not getting the investment it needs to tackle the problem effectively. Initiatives like the Northern Way have helped, but without realistic subsidy for housing it will be impossible to meet the wider long-term objectives of the regional development programmes, such as revitalizing the regional economy and creating sustainable, diverse communities.

4.2 Funding is largely targeted at those areas with higher property values but these are not necessarily the areas of greatest housing need. There is particular concern about new housing in rural localities. Although there is a clear need for affordable housing in small rural communities, new developments in rural areas are likely to involve Greenfield sites where there are often strict planning controls. New housing must be developed in harmony with the existing landscape, the local planning framework and taking into account the accompanying demands on local infrastructure, including schools, public transport, healthcare and so on.

4.3 There is a strong argument for the funding criteria to take into account other local issues such as affordability, the needs of concealed households, minority and vulnerable groups, employment levels, average earnings and so on. Even within Cheshire, research has identified three distinct types of housing market, each necessitating a different focus.

19 Taken from the Annual Survey of Hours and Earnings (ASHE) data for 2005, for all employees, published by the Office of National Statistics (ONS), available online at http://www.statistics.gov.uk/StatBase/Product.asp?Vlnk=14203&Pos=&ColRank=1&Rank=192
20 Figures from DCLG live stock tables.
21 Local Authority and RSL stock combined.
22 Cheshire Sub-Regional Housing Strategy.
23 See Appendix 1.
4.4 Local issues should be tackled at local level; there are distinct markets and diverse factors at work in different areas and a “one size fits all” approach simply does not work. There is a case for a mechanism allowing at least some funding decisions to be taken at a local level. An approach based purely on geographical factors is not effective.

5. THE FUTURE ROLE FOR LOCAL AUTHORITIES AS BUILDERS AND MANAGERS OF SOCIAL HOUSING

5.1 Many local authorities have already transferred their stock (or the day-to-day management of it) to other organisations under large-scale voluntary transfer (LSVT) or arms-length management organisation (ALMO) arrangements. In light of the current economic situation, there is little foreseeable possibility of councils undertaking a role as sole builders and managers of new social housing, since local authorities no longer receive funding to develop. They are entitled to borrow privately to fund new developments, but the uncertainty of rental income streams due to the RTB and rent capping realistically prevents many councils from borrowing and any new affordable housing developments must be undertaken in partnership with either a developer or RSL in order to access the capital required. That said, many successful developments are created in this way, often through s106 agreements, providing much needed affordable housing and there is no reason why this should not continue to be the case where it is the best solution to a particular local issue.

5.2 Should the current situation change there is no reason why local authorities should not be as successful at providing and managing new social housing as other organisations. Rented housing is economically sustainable over the long-term, as is proven by the growing success of the private buy-to-let market. It is largely only due to the HRA subsidy system, rent capping and the depletion of stock through the RTB, that the difficulty in sustaining sufficient income to maintain and improve existing stock has occurred.

5.3 Government policy requires local authorities to separate their housing management and strategic housing roles, which may indicate a belief that development is incompatible with the strategic function. Properly handled, however, where these tasks are carried out separately there should be no opportunity for conflict to arise. It is accepted that local authorities have a wider, strategic, role to play in terms of housing and are not simply landlords (if they ever were), but there is no reason why an active development and stock management programme should interfere with the wider strategic function.

5.4 ALMOs are essentially “hived-off” local authority housing departments; their relative autonomy comes largely from their board structure but they are short-term arrangements, with the council being able to take back the housing stock after an agreed period. That being the case, why not simply allow the council to access the necessary funding once the appropriate structures and organisational culture are in place?

5.5 ALMOs may appear to allow greater tenant control as tenants have the opportunity to be part of the governance structure of the organisation, but tenant participation and involvement are essential tools for any council. Resident involvement forms one of the key lines of enquiry (KLOEs) used by the Audit Commission to measure the performance of an organisation and best practice is becoming more widespread, with its attendant benefits to tenants.

5.6 Housing is inextricably linked to the wider sustainable communities agenda and to many other national policies and priorities. Local authorities are in an exceptional position in terms of the ability to influence and shape local communities, particularly in partnership with key local providers and with the communities themselves. Encouraging a collaborative approach to regeneration and development is an essential part of achieving the long-term sustainability of an area and the local community.

6. THE EFFECTIVENESS OF DIFFERENT SOCIAL HOUSING MODELS INCLUDING TRADITIONAL LOCAL AUTHORITY HOUSING, ALMOs, HOUSING CO-OPERATIVES AND HOUSING ASSOCIATIONS

6.1 Traditional local authority housing works; there can be no doubt about that. The difficulties in reaching and maintaining the decent homes standard for existing stock have arisen largely due to councils’ inability to control their long-term income because of rent capping and stock losses due to enforced sales under the RTB scheme. In fact, Ellesmere Port and Neston Borough Council, like many other local authorities, is required to give up a substantial proportion of its rental income to the Government for redistribution to the minority of councils that are deemed to have a positive subsidy requirement through the Housing Revenue Account (HRA) system.

6.2 Whilst ALMOs have been acknowledged as successful in improving service delivery to tenants, they essentially remain an adjunct to the local authority and there is no real reason, other than the ALMOs’ ability to access public funding not available to the local authority, why an integral council housing department should not be able to reach the same standards of performance.

6.3 Housing associations, or RSLs, also have a successful track record in developing and managing social housing and have an invaluable resource of housing knowledge and best practice in their staff. Partnerships between RSLs, local authorities and other organisations mean that this knowledge is shared, enabling continuous improvement and resulting in better service and value for money for the end user, the tenant.

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6.4 RSLs often participate in tenant-empowerment schemes that include training in understanding housing issues and the wider context of housing policy, the history of social housing and its inter-relation with other government objectives. This can result in social housing tenants entering the housing sector as employees, private renting or self-employment. This not only helps individuals into work, but expands the size and knowledge base of the organisation still further. At a time when housing appears to be declining in popularity as a career choice, this is an excellent way of tapping into latent talent.

6.5 In spite of the evidence that local authorities and RSLs have been successfully developing and managing social housing and, more recently, play an essential role in developing sustainable communities and improving community participation, it is impossible to make a direct comparison between all the social housing models listed. Until and unless the rules are changed to allow all housing bodies equal access to private finance and grant funding, there can never be equality within the sector.

6.6 At present, local authorities have very little realistic choice when it comes to developing. It is possible to deliver some affordable housing through s106 agreements, but the role of the local authority in these agreements is essentially that of a broker, facilitating the end product, which is then managed by an RSL. There is a strong argument in the face of rising house values and increasing affordability problems to once again allow local authorities to build in their own right. Changes would be required to the RTB scheme to prevent wholesale losses of stock and “cherry-picking” of the best properties and to ensure a sustainable supply of affordable housing into the future. The problem of affordability will only worsen over time; building rates cannot hope to keep pace with rising demand in the short-term.

7. The Role and Effectiveness of Private Rented Housing in Meeting Housing Needs

7.1 Recent research by the Council of Mortgage Lenders (CML) indicates that the younger generation now aspire to private rented accommodation rather than home-ownership due to low earnings and difficulty amassing the deposit needed to purchase property and establish a mortgage.25

7.2 Conversely, it is argued that “private renting is a marginal tenure (about 10% of all households) . . . [offering] almost no security, that deposits are routinely required and that rent levels are higher than those on low incomes can afford”.26 These issues all need to be tackled before private renting can make any real impact on meeting the needs of those who cannot afford to access property in their own right.

7.3 Increasing numbers of private rented accommodation in many areas may actually be having an adverse effect on affordability, as entry-level buy-to-let properties are often those traditionally favoured by first time buyers. Private landlords may be eligible for tax relief on the mortgage interest payable for rented properties and on certain maintenance costs and fees, putting them at a further advantage compared to first time buyers. Buy-to-let landlords in some areas are depleting the stock of properties that would otherwise be accessible to many marginal first time purchasers, leaving them no alternative but to rent privately. This has a serious impact on the tenure mix in certain localities and restricts the choice of newly forming households and individuals to a considerable degree. High rents and low wages mean saving is difficult so many are forced into renting privately for long periods of time. The lack of security of tenure for private tenants and the poor quality of some accommodation are very concerning in this context.

7.4 Many private landlords refuse to let to the unemployed; tenants who become benefit-dependant may be victimised and some may be tempted to mislead a landlord about their employment situation to procure or sustain a tenancy. Adverts stating “No DSS” are still common and research by Shelter27 shows that landlords are reluctant to take on benefit-reliant tenants due to bureaucracy, delays in receiving payments, shortfalls which the tenant may not be able to make up and a perception that unemployed tenants are more likely to be involved in anti-social behaviour than those who are working. The research found that almost one in four property advertisements refused benefit claimants and, in addition, half of those landlords whose adverts did not exclude claimants refused to let to benefit-reliant tenants when telephoned by researchers. Young individuals (under 25 years of age) and large families were the most likely groups to be affected by this kind of exclusion.

7.5 The cost of supporting those needing assistance through housing benefits results in a substantial drain on the public purse. Lack of social rented accommodation means households are increasingly being forced into more expensive private sector properties, resulting in higher costs to the taxpayer. This same lack forces those households not in receipt of benefits but still on low incomes to take the cheapest, usually the poorest quality, private rented housing with all its attendant health risks. The National Audit Office report referred to earlier28 states “helping existing and prospective social tenants into home-ownership results in savings for

25 Housing Tenure Choices by the Young, June 2006, available online at http://www.cml.org.uk/cml/publications/ research/keyword = tenure&date = 0&key = area = 0&mode = search
the taxpayer as low cost home-ownership assistance costs half as much as providing a new social home for rent”. As before, however, shared-ownership is only accessible to a very small minority of households, as only those on the financial margin of home-ownership can afford it.

7.6 The private rented sector does have a part to play in housing those in need of accommodation, but this is largely because there is no other option available for many households. Social rented housing is in such short supply that local authorities are effectively compelled to house those in the most urgent need in private sector accommodation. While social housing would clearly be preferable, there is simply not enough of it for those in need. Many of these households would become homeless if they were not housed in this way.

7.7 Councils are working hard to build links with private sector landlords and to reduce homelessness through preventative measures and initiatives such as the rent deposit scheme. In Ellesmere Port and Neston, links are being forged through the council’s private landlords forum and landlord accreditation scheme. Cheshire local authorities working in partnership have successfully obtained a grant from the DCLG’s Homeless Innovation Fund to employ three private sector liaison officers working across the county. These officers build direct links with private landlords to help prevent homelessness, both through access to vacant properties and by working closely with landlords and tenants to resolve any problems which may otherwise result in the tenant being given notice to quit. This has greatly increased the number of households assisted into private sector accommodation and has the additional benefit of introducing an element of choice and flexibility for the tenant.

7.8 Though the private sector has its place in meeting housing need, the primary motivator of private landlords is profit, not the welfare of tenants. Close working links with private landlords and property/landlord registration schemes can help to make sure the most vulnerable tenants are identified and enabled to receive the support they need, but there is growing evidence that unscrupulous landlords are taking advantage of the current situation, particularly where economic migrants are concerned. The Engagement For Empowerment Project, a two-year research project into the housing and health needs of minority ethnic groups in Cheshire funded jointly by the CHA and Cheshire Supporting People, found for example that “Polish community settlement is closely linked with work opportunities and private employment agencies recruiting directly in Poland. As such this group is more prone to exploitation resulting in overcrowded living conditions”. Overcrowding and sub-standard accommodation are still manifest and until there is more stringent regulation of privately rented housing there must be concerns about the quality and safety of the accommodation available.

8. The Priorities and Effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in Responding to Housing Needs

8.1 The Housing Corporation plays a vital role in regulating and promoting RSLs, increasing their efficiency and the quality of service they provide and encouraging engagement with tenants. In terms of priorities, the Corporation is committed to the aims of the regional housing strategy, but a lack of flexibility can leave it unable to fund more innovative schemes, particularly in high-value and rural areas where such schemes are often most sorely needed. Property prices have sustained such large increases that the capped grant rate has fallen behind and is no longer adequate. It would be opportune to review both the capped grant rate and the overall financial model used by the Corporation at this time.

8.2 That is not to say that the Corporation does not carry out valuable work at strategic level, which it certainly does where it is able to do so within current confines. In support of the objectives identified by the Regional Housing Boards, the Corporation has provided funding for new housing forming part of wider urban regeneration schemes in and around the Pathfinder areas in Liverpool and Manchester and in the Thames gateway. A good example of new housing contributing to the wider regeneration agenda is the “living over the shop” (LOTS) scheme in Ellesmere Port, which was successful not only in providing affordable housing, but also in assisting the economic regeneration of the commercial town centre in which the flats are situated. The scheme has a number of additional benefits, such as safeguarding Greenfield sites, increasing tenant choice and reducing crime in the area. An integrated approach like this can produce real long-term results, but under the current procurement arrangement would be difficult to achieve where criteria focus on an assessment of housing need solely at a regional planning level.

8.3 English Partnerships (EP) has a flexible, strategic, approach to housing in the UK. Its main interests are urban regeneration, the provision of high quality affordable housing and the creation of sustainable communities. Its approach allows local solutions to be brought to bear on regional issues. Importantly, EP encourages innovation in public/private partnerships, working methods and building materials and strives to drive up the quality of new developments. It aims to work closely with local residents and community groups to engender a sense of ownership. The group takes an holistic view of regeneration, recognising that good quality affordable housing is an essential part of neighbourhood renewal, but ensuring that existing infrastructures, environmental considerations, economic and employment opportunities etc are not overlooked. It is this holistic approach and the ability to allow for local factors that enables EP to champion and drive forward regeneration in its widest sense.

8.4 The role of regional housing boards (RHBs) is to identify regional priorities, draw up the regional housing strategy and, in their capacity as advisor to the Government, they are effectively responsible for the targeting of resources. RHBs must have adequate funding to enable them to carry out adequate research
on which to base the regional housing strategy. It is important that there is adequate communication between housing organisations, planning bodies and the RHB, which is facilitated in the North West via the North West Housing Forum. It is essential that the RHBs have access to all available information and can establish a strong evidence base from which key regional priorities and targets can be distinguished. Local and sub-regional housing market assessments can assist in identifying regional priorities and would provide an effective tool for targeting resources.

9. THE ROLE AND EFFECTIVENESS OF THE PLANNING SYSTEM, INCLUDING SECTION 106 AGREEMENTS IN THE PROVISION OF RENTED HOUSING AND SECURING MIXED TENURE HOUSING DEVELOPMENTS

9.1 In accordance with PPG3, a range of policies and plans have already been adopted, at both district and regional level, with the aim of measuring, monitoring and meeting housing needs, whilst making the best use of available land. This includes promoting good design and encouraging the creation of sustainable communities whilst protecting the existing environment. The introduction of the Local Development Framework, which replaces the existing Local Plan structure, has inspired local authorities to carry out a comprehensive review of their planning policies and to consult widely with the local community to inform future policy. It is essential that local and regional planning policy be based on the evidenced needs of the communities concerned and not just on increasing supply in whatever form simply for the sake of it.

9.2 Negotiations regarding new developments are often lengthy due to the number and complexity of issues involved, particularly around affordable housing and tenure mix and can often be compromised by the need to deal with planning applications in a very short time period. There needs to be a more realistic balance between the requirement for the rapid processing of applications and the requirement to ensure the quality and suitability of the finished product.

9.3 Section 106 agreements are without doubt useful in securing affordable housing, but not necessarily in the form of rented accommodation, which is generally reliant on some form of public subsidy. Many developers prefer to offer affordable housing for sale or commuted sums as an alternative. The latter are often put to other uses such as upgrading local infrastructures and there is nothing inherently wrong with this, but it does nothing to increase the supply of social housing.

9.4 There is evidence that some local authorities have much greater success than others in engaging with developers and it is accepted that there is a need for a more consistent approach to the use of s.106 agreements across the region. It is difficult to achieve consistency, however, when there is evidence that there are distinct housing markets operating even within the relatively small area of Cheshire.

9.5 It is our experience that some of the large commercial developers are often reluctant to provide housing for rent for whatever reason and they must be encouraged to work more closely with social housing providers and local authorities to produce greater numbers of affordable housing in general, but particularly rented units.

10. THE EFFECTIVENESS OF HOUSING BENEFIT AS A MEANS OF PROVIDING ACCESS TO RENTED HOUSING TO THOSE IN NEED

10.1 Housing benefit does allow those most in need of assistance to access housing they would not otherwise be able to afford, but there are several concerns with the current system. Not only is it a huge drain on the public purse, but it can be a disincentive to work for those on the margins of affordability. There may be particular issues around low-paid or part-time work and childcare costs for single parent families. It may also be a disincentive for those who are over-accommodated to move to smaller, more suitable housing.

10.2 Research carried out for the Joseph Rowntree Foundation shows that those households whose income is just above the benefits threshold are among the poorest in the UK. They are often faced with a stark choice between paying bills and paying for essentials such as food and clothing. Many feel forced to take on informal work to ease their financial situation or fall into debt. The same research indicates that the cumulative effect of losing associated benefits such as free prescriptions and free school meals for children does act as a disincentive to work. These households are clearly not helped by the benefits system. Though many of them may be home-owners who have bought on the very margin of affordability, there is evidence that many social and private tenants find themselves in the same situation.

10.3 Housing benefit can actually limit the choices of newly forming households, as many private landlords refuse to accept benefit-reliant tenants (see paragraph 7.4). The single room rent is a particular instance of this and there is an ethical debate surrounding whether fathers should be able to have access to larger properties to accommodate visits from children from a failed relationship.

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29 Planning Policy Guidance Note 3.
10.4 The system is highly complex. Not everyone who is entitled actually claims, whether through ignorance or difficulty in accessing appropriate benefits advice. There are particular difficulties for elderly people, those whose first language is not English, Gypsies and Travellers and those with physical disabilities and learning difficulties.

10.5 Since the advent of Supporting People, there can be confusion surrounding “housing” versus “support” costs for disabled/elderly people, which can cause delays in processing claims.

10.6 Changes in circumstance, however small, may have an impact on the level of benefits payable and delays in processing changes can result in additional hardship, particularly for those on partial benefits, whether through non-backdating of claims or through clawback of benefits already paid.

11. The Impact of the Operation of Council Tax Benefit on the Affordability of Rented Housing

11.1 Many of the issues already noted about housing benefit also apply to council tax benefit and there is particular concern about poor take-up by the elderly and vulnerable adults. This is again likely to be due to the complexity of the claim system and confusion over entitlement.

11.2 There is anecdotal evidence that council tax benefit acts as a disincentive to work in the same way as housing benefit does and there are concerns that the single person discount may encourage fraud (ie households consisting of more than one adult claiming the single person rate).

11.3 Council tax benefit does help those who receive it in terms of affordability and access to housing, but those who are entitled to assistance yet do not claim may be missing out on other forms of support and greater effort needs to be put into finding households in this situation and understanding why they do not claim.

APPENDIX 1

THE THREE HOUSING MARKETS IN CHESHIRE

1. Predominantly high price areas based upon economic success, which has subsequently fuelled increases in house prices, thus reducing the potential opportunities for local people servicing the intermediate labour market. Affordable housing targeted at urban and edge of town brownfield and rural sites is a priority for these areas. (Examples of these areas include Macclesfield and Chester.)

2. Popular commuter areas combined with good local economic performance leading to sustainable forecasts for future growth. These areas have seen a substantial increase in house prices, which are now at a level unaffordable for many first time buyers. The priorities for these areas are the investment in continued economic success, facilitated through spatial policies and housing investment, which encourage mixed use development of Brownfield sites together with affordable housing provision located in market town and rural areas. (These areas include Vale Royal, Congleton, some areas of Ellesmere Port and Neston and Crewe and Nantwich.)

3. Areas of potential economic growth to be encouraged through appropriate training of local employees to provide the required skills for employers. Housing solutions to facilitate this provision should be aimed at new, good quality, affordable housing to address the high cost of housing even in the lower priced areas of Cheshire. Priorities for these areas are regeneration of the pockets of deprivation coupled with affordable housing to accompany the forecasted economic growth. (These areas include those identified in the Indices of Multiple Deprivation (IMD) 2004 as the high deprivation areas of Ellesmere Port and Neston, Crewe and Nantwich, Vale Royal and Chester.)

Memorandum by the British Urban Regeneration Association (BURA) Steering and Development Forum (SRH 16)

INTRODUCTION

BURA’s Steering and Development Forum is pleased to respond to the Select Committee’s inquiry into the supply of rented housing. The SDF believe that social rented housing plays and important part in meeting the shortage in affordable housing within the United Kingdom and as such it should be provided with the relevant funding and legislation in order to deliver increased provision.
RESPONSE TO INQUIRY QUESTIONS

Are the current levels of public funding provided sufficient to meet social housing needs?

Housing investment has been focused upon bringing council housing up to standard by 2010 through the Decent Homes Programme. The forthcoming Comprehensive Spending Review offers the opportunity to discuss whether the focus should change from refurbishing current social housing to the decent standard criteria or investing extra money in building new affordable homes.

The Government has set itself a target under the Decent Homes Programme of improving the quality of local authority housing stock by 2010. The Government’s self-imposed target for 2010 is laudable and shows the strength of its desire to make early gains.

The SDF recognises that the quality of the homes in which people live is an important component of what makes communities sustainable: creating places in which people truly want to live and work. However, it is important not to lose sight of the overall objective of meeting housing need and building sustainable communities nationally. This is not likely to be achieved if the initiatives for driving up the quality of housing stock are viewed in isolation, and resources are directed away from new building of affordable homes as part of a programme of significant housing growth.

There are now acute market pressures which need to be resolved urgently as the gap between housing growth and housing need continues to widen. At a basic level, this affordability problem is dictated by the current imbalance between supply and demand. Planned housing growth on a significant scale will address that problem and bring equilibrium to the market quickly and effectively. At the same time, thriving communities will help create the economic wealth for reinvestment in other areas to improve housing standards for all.

If a decision has to be taken on the respective funding merits of the Decent Homes Programme or new build affordable housing, then in our view housing growth should be the immediate priority. Whilst the Decent Homes Programme is extremely valuable in improving the lives of existing tenants and must be continued it is unlikely to bring about the rapid step change needed to address market supply issues which increased house building will facilitate.

In any event, a significant majority of local authorities have now achieved the Decent Homes targets, or have put processes in place to do so by 2010. BURA recognises that maintaining Decent Homes standards is something of a moveable feast that will require a continuing funding stream into the future; however it is now imperative that funds are directed to address the extremely pressing market supply issues raised by Kate Barker.

There is clearly an opportunity to balance the two objectives even if fewer resources are made available in the next spending round. More importantly, in our view, what must occur is for policy makers and those involved in development to take a broader view on what sustainability really means. Giving greater emphasis to outright housing growth is not incompatible with the aims of the Decent Homes Programme, even if resources are shifted towards meeting other priorities at the expense of the 2010 targets.

In our view, what is needed is more joined-up thinking. The Government has recognised the dangers of the “silo mentality” when it comes to dealing with sustainability issues. It is encouraging partnership working. has set up the Academy of Sustainable Communities in Leeds and has recently created the new Department for Communities and Local Government to reflect the importance of taking a wider view on these issues.

The use of assets funded by past public investment is essential in the delivery of housing growth and the creation of sustainable communities. The work of English Partnerships in the use of former government land and the development of land portfolios in order to facilitate regeneration is an excellent example of this approach.

What should the funding priority for social rented housing be as opposed to shared ownership and other forms of below market housing?

The government’s aims to provide increased options in order to allow more people to own their own home are laudable. However social rented housing is crucial in the provision of homes for those on low incomes. The government’s commitment to increasing home ownership should not be at the expense of social rented housing. For some groups the ability to own their own homes through shared ownership and below market housing is not possible. The size of the social rented sector continues to shrink, with sales through the right to buy (75,000 a year) outstripping supply (under 20,000 a year), and arising need (48,000 a year)31 going unmet. Other forms of market housing such as shared ownership and below market housing cannot fully meet this requirement as there will always be those members of society who are unable to afford the costs of home ownership. Funding for social rented housing must be a priority if provision for disadvantaged groups is to be maintained.

When considering what types of intermediate affordable housing (shared ownership, discounted market rent and discounted market housing) should be funded by governmental resources the government should assess the potential of increasing the intermediate housing options on offer from developers and RSLs, including providing more flexible and innovative products in order to increase access to home ownership without increasing its risk to those on the margins.

Is the geographical distribution of subsidies for affordable housing correct?

There is concern that the government’s attention is focused upon the shortage of housing in London and the Southeast. With potentially fewer resources available in the next spending round, regional programmes to address housing market failure and intervention in the Midlands and North could receive less funding from central government. It is essential that the review does not become blinkered and consider merely housing growth. The regeneration of declining northern towns and communities throughout the Midlands is equally important to economic development in England and funding for these programmes should not be curtailed in order to increase resources in the southeast.

What is the future role for local authorities as builders and managers of social housing?

The over-reliance of the government on the private sector to provide social housing is worrying. Given the Government’s reliance on the private sector to provide large numbers of affordable homes, in the event of a housing market slowdown there would almost certainly be a reduction in the amount of affordable homes provided. In addition, marginal sites will not be brought forward and it would become harder to negotiate large numbers of affordable housing with developers if their margins are being squeezed. In addition, it is likely that developers would wait until the market revived before building on-site, causing a reduction in the levels of affordable housing provided by Section 106 agreements.

If affordable housing is to be provided through methods other than Section 106 agreements, the government could provide housing associations and local authorities with increased funding to enable them to develop and build their own housing schemes, potentially in partnership with the private sector. It is contended that it is cheaper for housing associations to borrow money as the Government, via the Housing Corporation, already supports their activities. This reduces the risk incumbent on housing associations, allowing for more cost effective provision of affordable housing.

Housing associations are broadly enthusiastic about the option of developing their own housing stock and many already have development programmes. They emphasise that these developments must be mixed tenure to, first, create a sustainable community and, secondly, to cross subsidise affordable housing through private sales. Working in partnership with a developer to jointly develop a site is a preferred option for some housing associations. This option shares risk and also provides housing associations with increased control over the housing provided.

Local authorities tend to agree with this view by suggesting that there should be increased partnership working between housing associations and house-builders in order to maximise fully on each organisation’s skills Some suggest the ideal approach would see a coupling of house-builders’ experience in delivering housing with housing association’s social management expertise. Aside from joint ventures with housing associations, mixed communities could also be created by breaking up existing mono-tenure social housing estates and increasing the amount of intermediate housing on these sites and improving the quality of life on estates. Private sale could be used to cross subsidise improvements to the existing housing stock. In addition, this intermediate affordable housing would provide housing for existing residents to aspire to, and move into, rather than subsequently moving away from the area.

In terms of local authorities developing their own housing stock, there is concern that they no longer have the expertise or capacity to do this, non-private sector development is mainly through developer housing associations. However if the local government white-paper provides local authorities with increased powers including fiscal powers, large cities may be able to play a role in developing their housing stock in the future.

What role should the role of private rented housing be in meeting housing needs and how effective will this be?

The private sector has a crucial role to play in meeting housing need. Many private sector landlords are individuals or small scale investors, in order for the private sector to provide high quality regulated housing it is essential that institutional investment is encouraged by the government. Real Estate Investment Trusts (REITs) provide an opportunity for increasing investment in the private rental sector from large institutions. REITs could deliver a guaranteed rental stream and increase the supply of accommodation where it is most needed. Attracting large institutional investors is essential in the delivery of increased numbers of social rented homes. Indeed if the correct financial conditions are created developers may consider retaining a portion of their homes for management within a REIT, this will have the effect of reducing the number of multiple landlords in a development and could provide greater accountability.
However there are a number of current policies that must be changed in order to increase private sector investment in rented housing. Currently stamp duty imposed on investment transactions for large investors creates considerable costs. The large investor suffers stamp duty on the aggregate value of the transaction, rather than the charge related to the housing unit value. This means that the volume investor pays a much higher rate than a unit by unit buyer and provides a disincentive for investment.

**How effective is the planning system, including Section 106 agreements in the provision of rented housing and securing mixed tenure housing developments?**

The planning system plays a crucial role in the provision of rented housing and securing mixed tenure housing developments. Currently Section 106 requirements remain the most effective method for the provision of affordable housing. These agreements secure affordable homes on sites that, in the past, would not have contained a mix of affordable homes. This facilitates the creation of sustainable mixed communities. However, subsidy is often an important element alongside S106.

Section 106 agreements must not be regarded as the only method through which affordable housing can be provided. It is also important that the direct role of housing associations as developers of affordable housing is considered.

Areas have conflicting housing needs, requiring different types and tenures of affordable housing. In addition, different areas can only sustain specific proportions of affordable homes dependant upon the housing profile of the locality. A requirement for affordable housing on new developments is needed in order to create mixed communities. However, this requirement must be decided on a site-by-site basis through the use of economic and social data such as local housing need assessments.

Government policy provides the framework for the provision of affordable housing and the creation of sustainable mixed communities. Practitioners are in broad agreement with these aims. However frustration remains regarding the provision of effective tools to put these policies into practice. Conflicting priorities and complex layers of bureaucracy hamper the effective implementation of policy and can lead to delays.

**What is the effectiveness of housing benefit as a means of providing access to rented housing to those in need?**

In addition what is the impact of the operation of Council Tax Benefit on the affordability of rented housing

Housing Benefit (HB) and Council Tax Benefit (CTB) are essential to enabling access to rented housing. However, their separation from the main state benefit system leads to problems.

Taking steps towards employment carries inherent risks with the fear of losing housing benefit near the top of the list. Avoidance of these risks becomes a pre-occupation of life. Since recalculation is the most risky event in any claim (due to potential errors and delays) as well as a serious administrative burden for both claimant and bureaucracy, any changes that might lead to recalculation are viewed with suspicion.

Sometimes the separation of housing benefit from income benefits generates disincentives. For example, while people on Incapacity Benefit are allowed to earn up to £88 per week in “permitted work” on top of their IB payments, this “permission” does not extend to the HB/CTB system so the money is then clawed back through an 85% reduction in HB/CTB payments. Not only does this contradict the policy to encourage take-up of work opportunities which can act as a bridge into work, it can easily lead to substantial rent debts if the claimant is not aware of the claw-back for some weeks. This can then lead to hardship, stress and even eviction and homelessness.

Thus, while benefits to meet the costs of housing and local services are an essential element of the welfare system, their administration by local authorities physically, culturally and politically distant from the central DWP/JC + can lead to problems. Even in the best Local Authority areas, which meet their targets for reducing processing and payment delays and errors, the housing benefit system tends towards increasing dependency rather than helping people to build independent lives. People facing multiple disadvantage need stability and transparency in their housing benefit status in order to take brave and difficult steps towards independence.

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**Memorandum by PLUS Housing Group (SRH 17)**

1.1 **The Level of Public Funding Required to Meet Social Housing Needs**

— We would recommend that a significant level of funding is necessary to address social housing requirements. Funding is required to meet a wide range of current housing needs. Social housing provides essential support for vulnerable members of society and is an important safety net for those with changing life cycles, e.g. marriage breakdown. Whilst social housing is often seen as a tenancy of last resort we consider that it can also be a tenure of choice, especially in the North West where rented housing can be of poor quality or too expensive for those on low incomes.
— Whilst social rented housing through a regulated agency does provide a viable option to the private rented sector we consider that social housing can provide a high-quality intermediate rented market whilst addressing issues of affordability.

— The term social housing should be omitted as it is seen now as a stigma.

— We would suggest that investment in social housing needs to address a wider remit within the context of current housing market strategy, e.g., creation of mixed income communities, creation of sustainable communities and the alleviation of poverty and deprivation. In this respect we would consider that funding for initiatives such as NRF should be longer term as we are addressing a generational problem and whilst providers are starting to mainstream improvements in service there are still financial pressures on Local Authorities because of the way in which central Government funds them, i.e., it is very prescriptive in how LAs can spend.

— On a similar theme, we would recommend that funding allocations consider the creation of quality housing and quality sustainable communities. The current system focuses on outputs and numbers of new/improved homes. We would recommend the Housing Corporation change their approach to measurement and assessment when allocating funding. We would recommend a change away from outputs toward a wider quality indicator that measures housing quality and social/economic/neighbourhood factors.

— We believe the current system of funding is fairly complex, e.g., funding is provided through a large number of sources. We also believe that under the current system long-term planning can be restricted due to uncertainty about future levels of funding. For example, the 10–15-year HMRI programmes are currently on two-year funding cycles. The uncertainty about future levels for HMRI funding limit the level of long-term planning. Additionally, short funding cycles cause uncertainty about possible changes in Government priorities in respect of strategies and funding allocations. We recommend a simplified and consistent approach to funding that guarantees long-term levels of funding to particular projects and strategies.

### 1.2 The Relative Funding Priority Given to Social Rented Housing as Opposed to Other Forms of Housing Provision

— We welcome and recognise the need for other types of housing such as shared ownership, equity and intermediate renting within the North West. We feel that social housing providers are in a good position to supply intermediate rented housing and shared ownership properties in the North West. We feel that these products will offer a wider range of choice in a market that is facing increasing problems of affordability both for purchase of housing and in the private rented sector. Social housing has traditionally provided more than bricks and mortar, fulfilling a number of social and economic functions for the local community. We recommend that social housing providers are in the best position to provide these additional functions as opposed to private developers who have traditionally solely focused on building homes.

### 1.3 The Geographical Distribution of Subsidies for Affordable Housing

— Housing needs in the North West are different to those in the South East of England. For example, in the South East, affordability may be a greater issue whilst in the North West housing stock is of poorer quality, leading to poor health, poor standards of education and often located in severely economically deprived areas. Whilst we acknowledge the Northern Way has brought in essential money to economic regeneration we would recommend that further analysis is required of overall economic regeneration requirements and that there should be greater focus on funding in the North to tackle these problems.

— We feel that consideration needs to be given to the needs of organisations who are investing in low-quality and low-value areas. Operating in these areas is a high risk strategy that attracts little private funding. Without the adequate funding support there is a high risk that these areas will fail economically to regenerate and become a viable proposition for people to move to.

— In low quality areas with severe deprivation we feel the focus on the importance of creating sustainable communities is right. However, as housing associations become the main provider of housing and other related services the Housing Corporation should consider how funding from its programme includes resources to address wider neighbourhood issues—especially in those areas where neighbourhood renewal programmes do not operate.

— At a national level we would recommend clearer funding priorities that support regeneration within the North (as has been done for the South of the country) with the Regional Housing Board providing a clearer strategy on how it deals with all of the housing and related neighbourhood issues in the North associated with deprived communities.

— A large number of developments in the North West take place on brown-field sites. This type of development is often more complex and time consuming than building on a green-field site. The uncertainty, complexity and high risk of development on brown-field sites, particularly in HMRI
areas significantly raises costs compared with development on green-field sites. On HMRI sites the large number of partners involved, requirements for the decanting process and requirement to meet specific designs raises costs that are not recognised in grant rates and impact on the efficiency of the affordable housing programme.

— Whilst new housing provision is considered less of a priority in the North West there are still many areas where there is still a huge need for new social housing, eg North Sefton, West Lancs. We would recommend that these issues are considered and addressed.

2.2 THE EFFECTIVENESS OF DIFFERENT SOCIAL HOUSING MODELS INCLUDING TRADITIONAL LOCAL AUTHORITY HOUSING, ALMOS, HOUSING CO-OPERATIVES AND HOUSING ASSOCIATIONS

— In stock transfers there needs to be a greater emphasis within the business planning of the new companies about how they intend to introduce a range of tenures that will support changing needs of their communities. Therefore we strongly believe that any social housing model should follow overall Government strategy to create mixed income neighbourhoods and wider agendas than pure housing provision. We would suggest the introduction of a Housing Regeneration Model that meets and identifies the needs of an area.

— We recognise that the different models in the housing sector are currently operating under different funding and different regulatory regimes. We would welcome an introduction of a system of inspection, evaluation and review that has a consistent and fair approach for all providers of social housing.

— Following on from the above point we would welcome a system that also is flexible in its funding regime, eg allowing both revenue and capital streams to support work.

2.3 THE ROLE AND EFFECTIVENESS OF PRIVATE RENTED HOUSING IN MEETING HOUSING NEEDS

— We acknowledge that the private rented sector meets a need within the housing market and believe this role varies according to the market it operates within. In particular we believe that private rented housing is more accessible than social housing meeting a short-term demand to house working people on low incomes at short notice. We suggest that by attracting low earners away from the private rented sector social housing providers could help to contribute towards the creation of mixed communities.

— We recommend that, as with developers who are now receiving affordable housing grants and are accredited by the Housing Corporation, private landlords who are receiving housing benefits should be monitored more effectively. Landlord Accreditation programmes essentially work on goodwill and co-operation—we need a system that links performance and standards to receipt of central government funding.

— Motivation for provision of housing in the private sector is mainly for profit and does not necessary fit with overall housing needs. For example, the current provision of high-rental city centre flats is mainly for investment rather than meeting need for cheap rented housing.

3.1 THE PRIORITIES AND EFFECTIVENESS OF THE HOUSING CORPORATION, ENGLISH PARTNERSHIPS AND THE REGIONAL HOUSING BOARDS IN RESPONDING TO HOUSING NEEDS

— We would like to see more joined up working at a regional level and sub-regional level. We recommend closer working between the LA and RHB at a sub-regional level.

3.3 THE EFFECTIVENESS OF HOUSING BENEFIT AS A MEANS OF PROVIDING ACCESS TO RENTED HOUSING TO THOSE IN NEED

— We would recommend a longer funding cycle for the Supported People programme to support vulnerable people on housing benefit.

Memorandum by the North West Housing Forum (SRH 18)

1. BACKGROUND TO THE NORTH WEST HOUSING FORUM

1.1 This response has been prepared by the North West Housing Forum and is endorsed by the North West Regional Assembly in their capacity as Regional Housing Board. The North West Regional Housing Forum is an inclusive and independent body which represents strategic housing organisations and a range of other stakeholders who have a shared interest in influencing policy and maximising resources to meet the housing and housing related needs of the Region. It was established in 1999, and since that time has gone on to be recognised as the independent voice of housing in the region.
1.2 The Forum was a Member of the original North West Regional Housing Board, and continues to be a major player in the new structure under the North West Regional Assembly offering both sub regional representation and technical expertise.

1.3 The North West Regional Assembly is now the Regional Housing Board. The Regional Housing Group has been established to provide high level strategic advice and support to the Assembly’s Executive Board in order to carry out its role, as Regional Housing Board. The Executive Board has strengthened its membership, increasing from 18 to 21, to provide a balance of 70:30 between Local Authority and stakeholder partners. This reflects the balance of the Full Assembly as the statutory regional planning body. The role and membership of the Regional Housing Group has been established and includes the original Regional Housing Board members together with sub-regional representation and technical expertise.

1.4 We welcome the opportunity to submit a joint respond to this inquiry, particularly at a time when so much emphasis is being placed on the future direction of social housing. However, it is crucial that the outcomes from the inquiry as considered alongside the wealth of consultations/reviews ongoing at the moment including the DCLG discussion paper “from decent homes to sustainable communities” and the Professor Hills review of social housing. Indeed in our response to the former we have urged DCLG to pull together recommendations emerging from all of these various consultations into a coherent strategy for moving forward.

1.5 Our response to the questions raised in the inquiry can be found in the following section. However, we would also ask the Committee to take into account the additional comments raised in section 3 which gives some additional context to the debate. We would particularly ask the Committee to recognise the need and role that social housing has to play in the delivery of sustainable communities. We do not wish to return to the days of developing large social housing estates, indeed we have learnt the lessons from the past. Increased social rented housing must be about communities that are more economically active, not welfare dependant. There is, however, an urgent need to consider the crucial role than social rented housing has to play in developing mixed communities.

2. Response to the Inquiry

2.1 The level of public funding required to meet social housing needs: We would recommend that a significant level of public subsidy is required to meet social housing needs. This should be seen in the context of current housing market conditions and increasing problems of affordability (across a range of property prices), together with the need to supply a mix of housing tenures to suit the needs of all, and specifically to support vulnerable residents. Furthermore, consideration needs to be given to some of the other drivers which are likely to increase the need for social housing, such as increased life expectancy and relationship breakdown.

2.2 Although in some circumstances we need to accept that social renting is a tenure of last resort, we also need to recognise that social rented can be a tenure of choice; indeed we can evidence that in some areas social housing is indeed the rented market, ie no private rented market. Social Housing does provide an essential backdrop for many of the most vulnerable in society and for those on limited incomes. Therefore we need to ensure that good quality social rented housing is a top priority for public sector investment, which in turn will continue to support other Government priorities including cultivating social cohesion and eradicating inequality and deprivation.

2.3 In parts of the Oldham and Rochdale Housing Market Renewal Pathfinder area there is evidence that shows displaced owner/occupiers and tenants of private landlords are choosing to rent in the future from a public landlord. In the region of 42% of the more than 300 referrals, from owner/occupiers or private and RSL tenants, have chosen a First Choice Homes Oldham (local ALMO) publicly rented property. Many owner/occupiers have chosen this because continued owner-occupation is not affordable. Many of these owners could be described as “marginal owner/occupiers” where the market value compensation for their home enables debts to be repaid and a new start to be made as a tenant of a social landlord.

2.4 Furthermore, we can show that in areas where the image of social housing has been changed this has increased the popularity of the stock. Where ALMOs and stock transfers have delivered both the capital investment and the service improvements we have seen demand rise and the level of voids and hard to Lets fall. Local Authorities are also addressing the issue of breaking down the large concentrations of social hosing and introducing mixes of tenure, which in turn makes the remaining social rented stock more popular. This can be evidenced in Langley in Rochdale, an estate of 4,000 houses with 1,000 empty and unlettable houses three years ago. Following stock transfer the estate was remodelled, 800 properties demolished, 300 homes for sale developed and sold to-date with more being built and a waiting list of over 600 people applying for rented homes on the estate. This demonstrates that we need to be moving towards ensuring that social rented housing is pepper-potted across neighbourhoods, rather than the development of large social rented estates. This, however, can only be achieved on any scale by buying existing housing, repairing/improving and then renting out, which needs to be resourced.

2.5 Ultimately, we accept that levels of investment in social rented housing has improved over recent years; however, we are still playing “catch up” from decades of under investment, and current levels are insufficient to compensate for this.
2.6 The relative funding priority being given to social rented housing as opposed to shared ownership and other forms of below market housing: The Forum would suggest that it is legitimate for the social rented market to have the greatest share of public funds as opposed to shared ownership, for a number of reasons. There is a need to recognise that shared ownership is still a relatively untested market and as such we are unable to judge the future market for the sale of equity shares. Shared Ownership can also prove to be a very costly form of purchasing a property. When you consider the need to find a deposit, pay a mortgage and in many instances pay rent on the remainder of the value of the property, then (as publicly funded opportunities for buying are currently constructed) this no longer becomes a viable option for many on low incomes. Indeed, it could be argued that in some instances this actually encourages debt in marginal owners. Although we support shared ownership and the role it has to play in increasing choice, we do, however, feel that there is a need for the Committee to consider the current level of debt in the UK, which has recently risen to one trillion pounds. Although we acknowledge that opinion is split on how far the servicing of this debt is a problem, we would suggest that there is a moral question around public subsidy being used to push those on relatively low incomes to take on mounting debt to purchase their home. Furthermore, it can be evidenced that in pathfinder areas particularly the elderly have not opted for this model, with many older owner/occupiers choosing to rent, as this has relieved them of the burden and hassle of home ownership and all that goes with that in terms of property maintenance.

2.7 In the North West Region 26% (£53 million) of Housing Corporation funding through the National Affordable Housing Programme (NAHP) for 2006–08 has been allocated to new-build home-buy to deliver 1,573 units. A further £9.7 million has been allocated to deliver 340 units through open market home buy. A grant of £200.8 million is allocated to provide 3,811 new and refurbished home32 showing that funding through the Corporation has an important role to play in the provision of new/refurbished social rented housing, which needs to be balanced against an increasing emphasis on products for sale which are needed to increase choice within the region.

2.8 We can also evidence that social rented housing has a history of providing value for money from the public purse. It is a long term investment for the Government, and not only provides a roof over peoples heads, but the contribution that it makes to other Government agenda’s including health, social care and education cannot be underestimated. We would add that it provides a “safety net” for unforeseen personal circumstances.

2.9 Furthermore, in support of the greatest share of resources being directed to social rented housing, we would maintain a view that any market products should be supported by increased private sector investment. Ultimately, market products will be expected to bring increased profits, but these will not be to the benefit of the public purse and therefore we need to encourage the private sector to take a holistic approach to development which includes the subsidising of below market products.

2.10 We would also ask the Committee, when considering the levels of investment required, to give consideration to where money can be more effectively spent on improving properties for rent, rather than the current emphasis on new build. In many instances in this region, where there is still a demand for the types of older housing that need investing in, this would allow for better value for money, using existing stock, for remodelling or improvements, and indeed the wider neighbourhoods up to a decent and desirable condition (as shown in 2.4). We recognise that there are implications in terms of higher grant rate for refurbishment, which is an issue for regions such as the North West. However, if we take into account all costs associated with demolition and new build (plus the more difficult to quantify but important environmental and social costs) rehabilitation does become a better value for money option, and offers the opportunity for the wider regeneration of existing communities.

2.11 Ultimately, however, we would support an approach that enables decisions over the relative funding priorities to be made at a sub regional and local level. Therefore once decisions have been made around the national split of resources, decisions should be made locally about the best use of public funds in intervening in local housing markets to ensure that they address gaps that are left in housing need. Furthermore, in our opinion, national decisions about the split should themselves be influenced by an aggregated picture of the local assessments of need for rented and owner occupied. In our view, markets are still very localised and therefore an aggregated view of local assessments should provide a very robust basis for national and regional decision-making about the best way to allocate resources designed ultimately to make the housing markets work effectively.

2.12 The geographical distribution of subsidies for affordable housing: We would argue that subsidies should be targeted at those who need it most, to maintain sustainable communities. Affordability issues arise in both high demand and low demand areas, as affordability is about the relationship between price and income rather than price alone. Even in a perceived affluent county such as Cheshire, many households will struggle to purchase even a 50% share of a property. Consideration needs also to given around the need for people to be able to take the risk of investing money in low quality and low value areas. Without support for this there is a real risk that these areas will not regenerate and meet the aim of them becoming attractive places to live and therefore a valuable part of the housing offer of the region. It is important that rather than

seeing imbalances of supply and demand or stock condition as separate issues, we start to take a more joined-up approach to decision making. Addressing stock condition can actually help to tackle problems of supply by making low demand areas more attractive and so help to take some pressure off high demand areas, as well as giving more people a chance of a decent home and neighbourhood.

2.13 In the North West region we took a significant hit through the Single Housing Pot last year, with changes to the formula and indicators which skewed investment towards high value property areas specifically in the South, whilst removing many of the regeneration indicators. Therefore we would suggest that it is not about where but about how that need is defined. During last year’s consultation we put forward detailed arguments on the impact of the changes in this region and the need for any national formula to support the development of sustainable communities across the whole of the country. It is our understanding that a further consultation is expected during the Autumn regarding future funding through the Single Housing Pot, and we will once again be providing a strong evidence base to highlight the need for subsidies to reflect the differing issues of affordability including acknowledging the need for regeneration of existing communities as just as important to the affordable housing debate as the need for new supply/growth.

2.14 We would add to this that we need to give consideration to how the “value” created is redistributed to target those in most need, especially as more home ownership created by Government initiatives results in more of it being created and released. With ever increasing property prices it is crucial that we explore ways of ensuring that this increased value can be reused to support the continued need for affordable housing provision.

2.15 The future role for local authorities as builders and managers of social housing: The Forum represents a wide range of enablers and providers, and we support the roles that they all have to play in the development of Sustainable Communities. With regard to whether local authorities should in the future be builders and managers of social housing, then we would argue that these decisions should be made at a local level and not directed by the centre. However, at the present time this is not an economically realistic option, and changes need to be made to the rules which would enable these choices to be made. We support the need for similar rules for all, whether it be local authorities, ALMOs or housing associations, in terms of this being tied to performance and based on a strong business case. We would also support the need for a strong evidence base to enable these decisions to be taken. Part of this evidence base [specifically for Local Authorities] would be to demonstrate that building and managing homes would not distract from their enabling and strategic role. Ultimately, however, the important issue for any organisation is that they invest not just in housing, but that they have a long-term interest and make the necessary investment into the development of neighbourhoods. It is also important for decisions to be made about balance between increased pluralism in providers and economy/efficiency that can be achieved by limiting number of developers.

2.16 The effectiveness of different social housing models including traditional local authority housing, ALMOs, housing co-operatives and housing associations: We strongly believe that all organisations are more effective where mature partnership working has been developed, which brings with it knowledge and expertise and choices for residents. You cannot, however, compare the individual organisations as you are not comparing like for like. For example, housing associations offer value for money as every £1 of public subsidy is matched by private investment. However, unless the rules are changed to allow local authorities and ALMOs to access private finance we are not looking at a level playing field, and many believe that with this level playing field we can increase the effectiveness of delivery.

2.17 Once again we would argue that this needs to be closely linked into local decision making, rather than prescription from the centre. Generally we believe that the sector is performing well, however, further subsidy is still required to enable the delivery of more units.

2.18 The role and effectiveness of private rented housing in meeting housing needs: The private rented sector certainly has a role to play. However, its role and effectiveness very much depends on the market in which it operates. We should not, however, lose sight of the fact that the objective of the private sector is to make a profit, and although they do meet a housing need (across the spectrum of households) this is often by default and not design. This said, increasingly the production of new housing units by the private sector is having less impact on meeting housing need, due to many new homes built being bought as an investment rather than as a home to meet a household’s requirements.

2.19 We would support the need, in some parts of the market, for regulation and licensing to ensure that standards are high and that low income and vulnerable households are not left in sub standard and poorly managed properties.

2.20 The priorities and effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in responding to housing needs: In the North West region the Housing Corporation, as a Member of the Regional Housing Board, is committed to the regional priorities as set out in the Regional Housing Strategy. However, the ability to respond to these priorities can be hampered by a lack of flexibility in response to locally agreed priorities when working within a national framework. Examples from Members of the North West Housing Forum are quoted below:

— Bolton received extra resources from a commissioning bid which was aimed at looking at new tools for refurbishment. Part of the bid included acquisition for demolition to be supported through
2.21 Furthermore, we can evidence that more flexibility can enable delivery. The North West Regional Housing Board made available a relatively small amount of funding (£12 million) for affordable housing schemes in the region. The aim was to encourage innovation in delivery, and the results have been very positive. Those who made the decision to receive the funding directly, rather than via the Housing Corporation, believe that approach is what has enabled them to deliver effectively. For example, in Cumbria there are specific problems around planning permission within the Lake District National Park resulting, on occasions, with the failure of schemes to actually deliver. Without the normal restrictions under this funding pot, they were able to simply reallocate the resources themselves rather than losing a failed scheme and having to bid again for resources for any new development. We welcome the increased opportunities that this flexibility has given us and look to working with partners such as the Housing Corporation to explore whether these flexibilities can be developed further using NAHP funding.

2.22 This is not a criticism of the priorities of the Housing Corporation, indeed we work closely with the North West regional office and they are committed to targeting investment to the agreed regional priorities; rather our criticism is of the rules under which they work, which does in turn impact on how they can effectively respond to new and innovative proposals. This question obviously relates very closely to the Government’s current review of housing and regeneration, and specifically to future role of the Housing Corporation and English Partnerships, therefore our key response to this issue would be to advise that the challenge of any institutional reform is to address these issues.

2.23 Along with the Housing Corporation, English Partnerships is also an important Member of the Regional Housing Board, and it is fair to say that much closer relationships have been developed over recent years. Indeed, a positive contribution has been made to the work of the Board by English Partnerships; however, they are also an organisation that is driven by the centre, and therefore by national rather than regional priorities. For example, it is felt that English Partnerships could have an effective role to play in the regeneration of rural areas through the development of affordable housing and employment opportunities, but this does not seem to fit with the national priorities. The Forum therefore believes that the current roles of both organisations, regardless of the make-up of any new agency, can only work effectively if they are strongly tied into the regional agenda and regional structures.

2.24 The emergence of Regional Housing Boards has been broadly welcomed in the North West. The development of a Regional Housing Strategy which identifies the fundamental needs and priorities of the region builds on many years of close working across the region. Naturally, in a region as diverse as the North West, it will not be possible for the Board to gain the support and agreement of all, although working closely with the Forum they have attempted to be as inclusive as possible, whilst having to make difficult decisions over funding priorities. Unfortunately for this region, we have been badly hit by funding allocations from the centre (as outlined in 2.13) which in turn has impacted on decisions taken by the Board. We are currently in a position where we are moving towards a stronger evidence based strategy which will in turn inform both investment and policy decisions not just for the Board but for partners. There is a clear commitment to aligning the Strategy with the Regional Economic Strategy and the Regional Spatial Strategy, and although these changes do take time positive moves have been taken which will have clear benefits to the region in the future. Therefore we would suggest that the Government allows these relationships and structures to mature. Regional bodies by their very nature are much better placed to make decisions about the regions; however, this must be backed up with appropriate policies and resources from the centre.

2.25 The role and effectiveness of the planning system, including section 106 agreements in the provision of rented housing and securing mixed tenure housing developments: We recognise that the planning system works more effectively in some local authority areas than others, and that we need to be more proactive in making Section 106 agreement work to secure mixed tenure developments, and specifically social rented housing (acknowledging that it is easier to secure low cost ownership properties on sites than social rented). Indeed, we welcome DCLG’s commitment to looking at new ways of using S 106 agreements to provide affordable homes, and raising more from planning gain, but feel that more could be done to raise awareness and promote areas of good practice.
2.26 There is a need for dialogue between housing, planning and developers, and in the North West we have started facilitating these discussions on a regional level. In some areas there is a concern that Local Authority Planners need to recognise that development is not just about numbers, and consider housing need and the mix of properties. This said, there are some good examples in the region of positive joint working between housing and planning. Across Merseyside housing and planning officers do work closely to address issues around the need and type of properties required, and within that sub region the New Heartlands Housing Market Renewal Pathfinder uses a Developers Forum to address design issues in relation to HMR redevelopment issues in Liverpool. With regard to developers, we feel that it is time for Local Authorities to hold their nerve, insisting that the right mix of accommodation is agreed before granting consents. The inquiry needs to recognise the complexities of bringing about the right mix of tenure on any new developments. It is not as simple as the private sector not wishing to provide social rented housing for a number of reasons, including the fact that this provides less return and there is a perception that this will have a detrimental effect on the sale of other properties. Whilst this is certainly a crucial factor we also need to consider the need for public subsidy to support the development and indeed the need for a willing landlord. Therefore we would recommend that any review must consider all the issues and not just part of the problem.

2.27 We have got a framework within which to work, but it is how individual organisations operate that can have a real impact on the effectiveness of the system. Whilst some authorities stipulate mix of tenure on new developments others advise that tenure cannot be specified. Some examples of the issues faced, and how organisations are responding, from within the North West region are highlighted below:

- Eden District Council took a firm stance with developers two years ago over levels of affordable housing on sites, and whilst initially walking away the developers have now come started to come back to the Local Authority to negotiate.

- Oldham Council have been using resale covenant schemes with an in perpetuity discount applying to a percentage of properties on a development. However, this needs to be properly resourced as the experience is that with re-sales purchasers are putting forward arguments that they should be allowed to market the properties as normal, and if these arguments are successful then the discount would be lost. As a region we are keen to see how these individual schemes will be brought together with others, such as equity loans and social homebuy, and the impact this will have on increasing the number of units and supporting the development of affordable housing provision.

- Cheshire as a sub region has been very effective in the use of S106 agreements in delivering new affordable housing (in 2004–06 grant funded schemes numbered 258 new units with 303 delivered through S106/private finance. This will rise to 450 through grant and 631 through S106/private finance in 2006–08). This should be seen as positive joint-working with developers and planners in terms of using the planning system to deliver affordable housing, and has a valuable contribution to make in meeting housing need in the sub region. However, we also need to recognise that in reality the properties developed using S106 tend to be other forms of affordable housing, with rented properties requiring grant funding on separate sites (for the reasons already highlighted in 2.26). These affordable properties for sale, however, are no longer affordable when sold on due to the high property values, and therefore not really addressing the longer term affordability issue. Flexibility in the use of grant to support S106 developments would make the development of rented housing more affordable, and certainly there is an urgent need for this in many areas. Generally, across the region and the range of housing markets, we need to use the planning process to ensure that we stretch the Housing Corporation allocations as effectively as we can.

2.28 There is also a need to recognise the specific issues of rural areas. Housing Association Members in Cumbria feel that planning gain is of limited use on small rural exception sites and would welcome more use of CPO powers by planning authorities on redundant and unused building and land. In parts of Cheshire recent guidance from DCLG for planners to use in assessing the sustainability of rural schemes are now causing delays at best and could actually prevent schemes at worst. An example being a scheme agreed by the local and parish council, with evidence of high need for affordable housing, and grant secured by the Housing Association which planners have now raised concerns over with regard to insufficient infrastructure based on the new guidance. Furthermore, Planning Gain Tax is unlikely to have an impact in these areas where it is access to land that is needed.

2.29 We also support the use of commuted sums through S106 agreements providing that they are used effectively to provide/support the provision of affordable housing within the same area. However, we know that without these funds being ring fencing for that purpose, in some authorities there is a danger that the monies will be used for other local priorities such as transport and leisure services.

2.30 The effectiveness of housing benefit as a means of providing access to rented housing to those in need. We would not argue that the system is effective in that is does allow access to housing, but there are a wider range of issues that need to be considered. Whilst allowing access at one level, it can also exclude people from/limit choice. Discretionary housing benefit is not sustainable and therefore can only be used as a short-term measure, ie to enable someone to remain in their home or to help them secure accommodation. This will invariably prevent access to many properties in the private sector where rents may be traditionally higher than the public sector.
2.31 An unintended consequence of housing benefit is that it can be a disincentive to work, and hence creates a welfare dependant culture, however, any changes to the system would need to strike a delicate balance between this and ensuring there is support for those most in need.

2.32 The impact of the operation of Council Tax Benefit on the affordability of rented housing. The reality is that the system of Council Tax benefit is too complex. This can be evidenced by the low take up by the vulnerable, and therefore we fail to see how the existing system is supporting the affordability of rented housing. Furthermore, the way the system works means that those who are not entitled to 100% benefit on council tax, eg those working but on a low wage, may still find the payments they are required to make high compared with their relative income. As with housing benefit this then can be a further disincentive to work and another contributory factor to the welfare dependant culture.

2.33 Overall any system of benefits (either housing or council tax) should be one that allows/supports access to decent housing, whilst also providing an incentive for employment.

3. OTHER COMMENTS

3.1 Although not specifically asked in the inquiry we would raise a question to the Committee as to what is meant by the term “social rented housing”? Many feel that the term in itself brings with it a stigma, and would prefer to see this re-branded as public, as opposed to private, rented housing. However, there is a bigger issue and that is around the diversity of the social rented market. It covers a wide spectrum from homelessness; through the desire for people to leave their family home; the necessity to find urgent alternative accommodation as a result of relationship breakdown; the specific requirements of those people with special needs; the particular design demands relating to cultural preferences; including at the opposite end of needs that merge into, or are interchangeable with, aspirations. So, understanding better the complexities of the social rented market—how it is evolving along with what factors influence and shape it not least of which is how its “image” gets in the way of it effectively fulfilling its role, are essential prerequisites to arriving at informed decisions over the levels of investment required to meet the needs the market throws up.

3.2 We would also reinforce that if we are to succeed in our aim for truly sustainable communities then we must ensure that there is choice and opportunity for all. We do not wish to return to the days of monolithic social housing estates which we now acknowledge are not sustainable; however, we must ensure that social rented housing is an accessible and indeed desirable option for people. We can show the Committee examples from the North West region where there is a great deal of work going on to this aim. For example, in the Oldham/Rochdale Housing Market Renewal Pathfinder they are ensuring that there is this mix on new developments with approximately 25% social housing and up to 10% intermediate housing, and also importantly that these subsidized homes are indistinguishable from the private properties and not in clusters. Meanwhile, on existing social housing estates eg Langley, they are reducing the numbers of social rented properties in order to introduce a broader range of economically active residents.

4. CONCLUSION

4.1 We welcome this inquiry in that it contributes to the wider agenda of sustainable communities of which the supply of rented housing is crucial. The Assembly and North West Housing Forum are committed to increased choice for all within the region, not just those with the financial capacity to purchase a property. This submission to the inquiry highlights only a few of the many examples from across the North West Region where Members are working hard to achieve this aim; however, there are many more which we would be happy to share with the Committee should they require them.

Memorandum from the Riverside Group (TRG) (SRH 19)

1. EXECUTIVE SUMMARY

1.1 We support the National Housing Federation’s call for 104,000 new affordable homes per year. Our experience is that affordability remains a key issue particularly as house prices in many areas are rising faster than inflation. The costs of development in the North West are disproportionately high and we argue that the Government must take into account the economics of delivery in different parts of the country.

1.2 Government should amend tax regulations to incentivise the improved provision of affordable homes through cross subsidy deals where it can be demonstrated that proceeds are being utilised for the provision (or re-investment in) affordable housing.

1.3 We are concerned that the efforts to maximise supply, evidenced by the development of the new Open Market Homebuy product, will actually reduce the range of affordable home ownership available to those on the lower end of the income spectrum. Traditionally, we have been able to assist people on the margins of owner occupation (eg owners moving out of clearance areas) with shared ownership products; the new
Open Market Homebuy may not be available to such groups. There is also a sense that some Low Cost Home Ownership (LCHO) schemes may encourage people to purchase beyond a level they can afford, in turn, can create homelessness and work against sustainable communities.

1.4 There is a need to mainstream housing renewal processes rather than to adopt a short to middle term approach. We are calling for a shoring up of the commitment to the Housing Market Renewal (HMR) programme. It is dangerous to assume that the worst of the problems of obsolete housing and disrepair have been resolved. The Riverside Group (TRG) is tracking improvement in areas across a range of sustainability indicators and our findings are that a hardcore of neighbourhoods in HMR1 (Housing Market Renewal Initiative) areas (principally Merseyside) are not showing significant signs of improvement. We are concerned that what was once a holistic strategy based on the Pathfinders is now being eroded and that government must ensure there is no loss of nerve, particularly in areas where demolition is the only sustainable option.

1.5 Our view is that local authorities are now most effective as strategic enablers rather than core housing providers, and this sits well with current government thinking. It is perhaps too late to turn the tide back in favour of local authority provision, and the success of many stock transfers and ALMOs suggests that alternative models may be the best way forward. However, if local authorities are to have a role in provision we suggest the following tests:

- The ability to lever in private funding to keep grant levels commensurate with the Registered Social Landlord (RSL) sector.
- Capacity to achieve value for money and ultimately deliver more outputs for less money.

1.6 We argue that RSLs offer the best and most effective model, evidenced not least by the success of the Housing Corporation and individual RSLs in leveraging-in private finance over the last decade.

1.7 Our comments on other housing solutions are:

- Housing co-operatives can provide an effective solution and the benefits they offer in terms of empowerment and sustainability are not always easy to measure. However, they will always be a niche solution rather than a large-scale model.
- ALMOs have enjoyed some success in terms of performance but do not offer the flexibility associated with the RSL model.
- Our experience of PFI contracts is that, although the end product may be worthwhile, they are expensive, bureaucratic and fraught with delay.

1.8 Given our group structure and geographical spread it is difficult to give a unified view of the private sector. The quality of the accommodation provided and the motivation of the landlords varies from good to extremely poor. We believe the private sector should be subject to more regulation in terms of stock condition and quality of tenancy management (including taking more responsibility for anti social behaviour). Private landlords should be subject to the same sort of standards as social landlords including Decent Homes targets.

1.9 We are concerned that the more affluent parts of the private sector on Merseyside may not be sustainable due to market saturation. The poor quality provision in areas such as Kensington tends to be offered to some of the most marginalised groups in society because much social housing is being absorbed by the demands of the clearance programme.

1.10 The Housing Corporation has been extremely successful as a vehicle for regeneration, always spends to target and has been successful in leveraging-in private finance. English Partnerships’ focus on new/affordable housing is important but should not lead us to overlook stock condition and customer service.

1.11 If there is an imperative for change we believe that housing strategy and direct investment could productively be combined in one agency which has the same boundaries as those for economic development. We also believe that investment and regulation should be co-located, as the ability to control investment gives “teeth” to the regulators.

1.12 We argue that DCLG should undertake a comprehensive review of the way local authorities utilise S 106 agreements: identifying best practice and setting targets where feasible. Local authorities should involve social housing providers in the early stages of negotiation. Recent Audit Commission guidance to Local Authorities should assist with processes but there needs to be more focus on outcomes. We are also convinced that there would be much to be gained from sharing good practice.

1.13 The present regime dictates that S 106 agreements are only effectively used in areas where high site values and a strong market prevail.

1.14 Housing benefit is a vital element in the welfare benefits system. It supports access and helps to safeguard social landlords’ income stream. We would resist strongly any attempts to remove the ability for landlords to receive direct payments or for housing benefit to be withdrawn as a sanction for tenancy misconduct. Both options would penalise the landlord and generate more homelessness.
2. INTRODUCTION—THE RIVERSIDE GROUP

2.1 The Riverside Group (TRG) is the third largest social housing and regeneration organisation in England, owning or managing around 40,000 houses from the far north of England to the Midlands. It employs more than 1,100 people and has a turnover of more than £126 million. It is the parent body for seven housing associations, including the former Newcastle and Whitley Housing Trust, which joined the Group as Riverside North East in April 2006.

2.2 We have been engaged in sustainable regeneration and renting homes for a social purpose for 78 years. Our commitment to neighbourhoods can be seen in the millions of pounds we invest in community projects each year, and in the hundreds of new homes we build annually for shared ownership, rent and outright sale. We aim to be the partner of choice for major regeneration projects.

2.3 TRG welcomes the opportunity to respond to the inquiry. We have summarised our comments in relation to each of the ten points in the terms of reference, limiting our response to issues where we feel we have first hand knowledge or experience.

3. THE LEVEL OF PUBLIC FUNDING REQUIRED TO MEET SOCIAL HOUSING NEEDS

Global amount of public subsidy

3.1 We support the National Housing Federation view that there is a national demand for 104,000 new affordable homes per year for the next 20 years. This is of course consistent with the findings of the Barker report, which identified long term structural weaknesses in housing supply and rising demand for housing coupled with increasing lack of affordability. Our own experience on the ground is that affordability and the ability to raise a mortgage are significant issues for a large number of people on lower incomes. Therefore some subsidy has to be provided, whether capital or revenue or a combination, as at present. We believe that the current overall level of subsidy does not meet the requirements that are evident across a whole range of needs and including subsidies on the support side too. We know that house prices (and by inference, market rents) are rising faster than inflation and incomes (especially at the lower end of the scale) and therefore the ability of people to afford what the market can offer is going to deteriorate. This strongly implies that the need for public funding into housing will continue to grow.

3.2 Our own experience is that there is still an overwhelming demand for rented accommodation evidenced by the fact that we are currently receiving at least a thousand calls per month from people who wish to register on our choice-based letting system, adding to the 71,000 already registered. On average we advertise fewer than a hundred properties (sometimes much less) per month on our system which demonstrates the fundamental mismatch between supply and demand. This relationship between supply and demand is evidenced in the table below, which illustrates average weekly activity on our choice-based lettings system based on a six-month period (March to August 2006).

<table>
<thead>
<tr>
<th>Weekly average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties advertised</td>
</tr>
<tr>
<td>Bids made</td>
</tr>
<tr>
<td>New registrations</td>
</tr>
<tr>
<td>Average number of bids per property</td>
</tr>
<tr>
<td>Ratio of new applicants to properties advertised</td>
</tr>
</tbody>
</table>

Source: TRG statistics 2006

CASE STUDIES: TRG CBL SYSTEM

The supply and demand scenario means that customers often wait for a number of years before they are successful in gaining a property. Here are some examples drawn from our own choice-based lettings system.

— A 3-bedroom, modernised house, with gardens, in a high demand area, was advertised in the ad-sheet cycle which closed on 25 September 2006. 243 applicants made a bid for this property, 10 of whom were priority cases. The earliest date of registration on the list of bidders was 18 April 2001. This demonstrates the level of interest which the property generated and the length of time bidders may be waiting for properties.

— A one-bedroom, un-modernised flat in a medium demand area, was advertised in the ad-sheet cycle ending on 18 September 2006. 71 applicants made a bid for this property; the earliest date of registration on the list of bidders was 11 June 2001. This demonstrates that a medium demand property still generates a healthy level of interest and the length of time applicants may wait.

Source: Riverside CBL system 2006.
3.3 We agree it is right for the Government to seek to get more out of existing provision to help meet the need for social housing, but feel strongly that this must not be reduced to a “numbers game”. If the wider objective of delivering sustainable communities is to be achieved, it is important that the Government takes account of the economics of delivery in different areas of the country.

3.4 Developing RSLs are under severe criticism in the North West for being too expensive in grant-per-unit terms for the 2006-08 programmes. The North West is apparently the second most expensive region, after London. The average North West SHG Allocation for the 2006-08 programmes is £57.5k per unit in grant. This is just over 50% of the Total Scheme Costs.

3.5 In the case of TRG, it has pitched its bid at break-even, and so the grant required is a function of the build costs and income (rent levels and sale values). The Housing Corporation effectively determines rent levels and the areas we work in attract some of the lowest rents in the country. Property values are also relatively low in the areas receiving NAHP support.33 (For TRG in the North West 18 out of 21 projects receiving allocations were within HMRI areas.)

3.6 Costs are high because almost all of the projects require remediation, complex site assembly and “bespoke” solutions to the challenges they present. Where RSLs are dealing with developers selected by HMRI teams they are less able to influence costs.

CASE STUDY—ORRELL SCHOOL SEFTON, LIVERPOOL

The complexities of delivering affordable housing in a HMRI area are demonstrated by this case.

The site of Orrell School was referred to TRG when an alternative new school was being developed. The site was agreed to be in a good location for development for affordable housing for rent to support the decanting of householders from the proposed area of clearance within the Klondyke HMRI area. Work had been carried out to arrive at a mix that would both suit the decant needs and provide a sustainable small estate going forward.

The site ownership is not entirely with Sefton MBC. It owns the majority of the site but the important corner that will provide the “face” of the development is split between several commercial owners. The corner is also heavily trafficked, and in consultation with the Planning and HMRI teams, a non-residential use for most of this area was felt most appropriate. This was a convenient location for a new church building that is needed in the area. Although the school site is available now and needs to be developed quickly to provide re-housing, the commercial interests have resisted selling and the premises form part of the CPO related to the HMRI area. The Inquiry for this was held in the summer of 2006, and (if it is successful) the purchase is likely to be delayed until alternative premises can be provided for some of the businesses. However, the land required for the church and that covered by the commercial properties do not exactly coincide, and so this delay will affect part of the housing site.

Achieving the best site layout is a complex task because the site is closely defined by roads on each boundary, access is limited because of the heavy traffic flows to two-sides, the requirements of the Church and the residential area had to be balanced, and CABE have been involved in offering comments. The decanting requirements have meant that on this relatively small site (33 homes) there have to be four different house types, plus an apartment block. Achieving agreement with the Local Authority on the land value, the amount of open space to be provided, and the commuted sums payable for off site works (road improvements, other open space) has also been protracted.

The entire site is brownfield, and the school itself contains asbestos. Whilst ground conditions in the area of the school site are not anticipated to be problematic, those under the school and commercial buildings will cause problems and one of the commercial users (a taxi firm and car repairer) is anticipated to have caused pollution of the ground that will need thorough investigation and remediation. This cannot be finalised until access is gained as part of the commercial purchases.

These issues described above have all had the effect of extending the time taken to progress the development, reducing certainty, and increasing costs.

Whilst each site is different, the general issues of site size, varied mix, ownership and ground conditions affect most of the sites within market renewal. This means that these sites are more vulnerable to variations in cost and programme, and more expensive to bring forward for development than more simple sites. sites are more vulnerable to variations in cost and programme, and more expensive to bring forward for development than more simple sites.

3.7 The grant cost per unit of the TRG programme is also influenced by the balance of the programme between tenures. Its allocation has a low proportion of home ownership in the North West, with only 55 (15%) out of the 357 properties funded being Homebuy (compared to 116 (37%) out of 307 in Midlands).

33 In the North West 62% of properties are in council tax bands A or B (valued at 52,000 or less in 1993) compared to 25% in the South East.
3.8 In addition, TRG’s North West programme does not benefit from reduced land prices arising from s 106 agreements—a high proportion of Midlands projects (and those of others outside the North West) benefit from these, hence lower “per unit” scheme costs (for TRG, £38k in Midlands compared to the £57.5k in the North West).

3.9 Therefore we believe that in particular areas such as the North West, there are good reasons for the apparently high costs of the affordable housing programme which does not mean that it is “too” expensive. Rent levels are relatively low when compared to other regions and incomes are still relatively low in national terms. We are struggling to maintain the rented element of Homebuy at a level that makes it worthwhile for purchasers to buy a 50% share.

3.10 The tax system is acting as a disincentive to the effective provision of affordable housing by the private sector. If RSLs use their land assets to generate cross subsidy for the provision of affordable housing, disposal proceeds (whether in cash or kind) they are currently subject to Corporation tax at 30%. For example, TRG is facing a number of situations where it is aiming to dispose of land to private developers (as part of mixed tenure schemes), using the receipt to subsidise the provision of new affordable homes or re-investment in existing stock. Tax advice suggests that the receipt is subject to Corporation tax, thus reducing the subsidy available and a cost to the provider.

4. THE RELATIVE FUNDING PRIORITY BEING GIVEN TO SOCIAL RENTED HOUSING AS OPPOSED TO SHARED OWNERSHIP AND OTHER FORMS OF BELOW MARKET HOUSING

4.1 TRG has always sought to minimise the reliance on grant required and achieve a sustainable balance on estates by mixing the tenures of new schemes. However, to ensure home ownership options are truly affordable and are available to those households on medium to lower incomes, subsidy in the form of grant or equity loan may still need to be significant. The lower the level of grant, the less support to the purchaser is available.

4.2 Different forms of affordable home ownership (with different subsidy regimes) are required to provide a better balance across the social housing sector. This would produce a range of intervention levels with social rented receiving the heaviest subsidy element, with the likes of Open Market HomeBuy at the other end of the spectrum. Our concern is the concentration on maximisation of supply (playing the numbers game) which has driven the new Open Market HomeBuy product (and the shared equity task force) will actually result in less of a range of affordable home ownership products accessible to households on lower to middle incomes. The net effect may be to force lower income households to turn to social renting, when they could have afforded a more affordable home ownership option.

Recent analysis of shared ownership sales completed by TRG Home Ownership Division has demonstrated that our purchasers have average incomes of £20–£25k. The availability of shared ownership meant that these purchasers were able to obtain properties with a market value of up to £120k, which would never be affordable for outright purchase.


4.3 Affordable Home Ownership schemes such as shared ownership and shared ownership for the elderly have helped a diverse range of households. The North West Regional Housing Board has noted this and included this diversity of households in the target groups they wish to support through HomeBuy products. However, the effect of the proposed CML Open Market HomeBuy product will effectively be to remove the ability for many in the target groups from being able to access HomeBuy.

4.4 Our evidence suggests that the majority of shared ownership purchasers opt to buy a 50% share. For example owners moving out of clearance areas, elderly households wishing to move to more appropriate accommodation, new households arising out of relationship breakdown, or tenants that have been able to amass significant savings are largely excluded from Open Market HomeBuy by virtue of the requirement to raise a significant mortgage.

CASE STUDIES

Mrs D and Miss G/Mr M are leaseholders who have purchased 50% equity in shared ownership flats. Although their circumstances contrast neither would have been able to afford to buy an equivalent property on the open market. Equally neither would have been able to raise sufficient funds to purchase a 75% share under the Open Market Homebuy scheme had it been available.

34 Section 106 agreements (also known as “planning agreements”) are arrangements whereby developers of sites agree to provide “planning gain” in order to secure consent. See Section 10.
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4.5 Again, these cases emphasise the need to maintain a well-balanced and properly funded affordable home ownership programme, or to develop Open Market HomeBuy (where savings, equity and deposits can be used to reduce the size of the mortgage) to assist particular groups such as those outlined above.

4.6 We are always mindful that we should not be encouraging marginal home ownership and have tailored our approaches to low cost home ownership accordingly, always ensuring that we check affordability and do not encourage buyers to overreach their repayment capacity.

5. THE GEOGRAPHICAL DISTRIBUTION OF SUBSIDIES FOR AFFORDABLE HOUSING

5.1 Government has been keen to emphasise the role that social housing can play in delivering sustainable communities by providing decent homes and being accountable to local needs.

5.2 In doing this, we need to mainstream housing renewal processes and rediscover the mechanisms to tackle obsolete housing and housing in disrepair as a regular part of ongoing renewal activities, rather than having the crisis intervention approach of Pathfinders. This means long-term resources for market restructuring, allowing authorities to tackle problem neighbourhoods in some sort of sequence, rather than all at once. Some authorities may need to re-learn lost skills and all authorities need to be encouraged to undertake regular housing market assessments with partners (many already do) and systematically identify areas of housing which are likely to become obsolete, bringing forward renewal proposals as part of “fit for purpose” housing strategies. Failure to renew the worst of our Victorian and Edwardian housing stock that is at the end of its useful life, is storing up a major problem for future generations.

5.3 As part of this approach, we need firm commitment to completing the Housing Market Renewal programmes which have already commenced. Notwithstanding movement in housing markets reflected in increasing house prices, we must not be deceived into thinking that the problem of market restructuring is solving itself through private investment. There is strong evidence to suggest that in the worst neighbourhoods, the house price gap is actually increasing. The most recent New Heartlands Housing Markets Report (ECOTEC 2006) states “although prices have risen across Merseyside, including within the NewHeartlands pathfinder the differential between average prices within and outside the pathfinder intervention area has grown wider as house prices have increased”. TRG’s own systematic assessment of the 71 neighbourhoods in which it is active, would suggest that whilst most neighbourhoods are gradually improving across most indicators, a hardcore of neighbourhoods are not showing significant signs of improvement (Neighbourhood Investment Strategy 2006). All of these are in HMRI areas, mostly within Merseyside.

We have first hand experience of the level of impact of speculative investment on properties which would otherwise have no market appeal. Here is a commentary from one of our directors working in a pathfinder area.

“There are “SOLD” signs on retail and other premises in Kensington where the property is gutted or burnt out and in the middle of a terrace where all of the other unsold properties are in the same condition. These signs of recent sales occur on properties where the locally agreed and well-known strategic intention is the clearance of the block in which the property stands.

I have received many letters from brokers or dealers who “wish to invest” in Liverpool because they are aware it is undergoing major regeneration—these have varied from crude statements of intent to enjoy the investment gains available to more subtle offers of “investment support” where the offer is money which I can invest on their behalf because they don’t understand what business I am in and assume I would want to share their investment gain through my local knowledge.

<table>
<thead>
<tr>
<th>Shared Owner</th>
<th>Status</th>
<th>Income</th>
<th>Savings</th>
<th>Share of equity</th>
<th>Value of property affordable on open market</th>
<th>Market value of shared ownership property purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mrs D</td>
<td>Widowed, income is from state benefits</td>
<td>£10,500 pa</td>
<td>£67,500 (from previous home)</td>
<td>50%</td>
<td>£67,500 (assuming all income from sale used. As no salary, will not be able to get mortgage)</td>
<td>£135,000</td>
</tr>
<tr>
<td>Miss G and Mr M</td>
<td>First time buyers, Miss G is employed Mr M is seeking work</td>
<td>£19,500</td>
<td>£15,000</td>
<td>50%</td>
<td>£78,250 (assuming £5,000 required for fees, 5% deposit and 3.3x income for mortgage)</td>
<td>£145,700</td>
</tr>
</tbody>
</table>
The Liverpool auctions last year were a celebration of speculation where many purchasers were made over the telephone on behalf of absentee buyers who had not seen the property upon which they were bidding. This resulted in many derelict or run-down houses or shops bought and left unoccupied or if ever occupied—then not by the purchaser—more often by desperate private tenants (asylum seekers etc.).

Source: Tom McGuire, Director of Community Seven (2006).

5.4 Further research published by ECOTEC in September 2006 also explains that whilst vacancy rates have fallen in some areas like Manchester and Salford, they have remained “stubbornly high” across the pathfinders. Brendan Nevin writes “this illustrates the long term nature of the task being faced by the housing market renewal partnerships as they attempt to diversify the choice of accommodation across large urban areas and alter the long term population trends that have led to depopulation.”

5.5 The Government must not lose sight of the “big picture”—that is a number of cities have a huge oversupply of obsolete industrial housing which is reaching the end of its useful life, and that worse, these homes are concentrated in extensive neighbourhoods which have obsolete infrastructure and facilities. Looking at Merseyside, whilst there are good prospects for economic and net household growth into the future, this will not be captured in the core urban areas and will not fuel genuine and sustainable urban renaissance, unless there is major public intervention to reshape urban neighbourhoods beyond what is deliverable by the private sector. In launching the Pathfinders, the Government originally recognised the scale of this problem, however, the resources available, combined with the rise in unit costs of acquisition and clearance, has meant that Pathfinder programmes are becoming piecemeal (rather than comprehensive) in approach. For example clearance proposals in the NewHeartlands HMRI areas have been scaled back by around one third after a three-year period (Scheme Update 2005). As a consequence, there is a real danger that critical mass for transformational regeneration will not be achieved, and this will have negative consequences for communities where expectations have been raised, and where considerable public monies have already been invested.

5.6 The Government took the bold step of launching the Pathfinder process on the basis of high-level evidence, which supported the argument about obsolescence, housing type and urban structure—for example, the work undertaken by the Centre for Urban and Regional Studies (CURS) on Merseyside and in other Pathfinder areas. In the run-up to the Comprehensive Spending Review (CSR) 2007 it is essential that Government steps back and reviews this evidence at a macro level, drawing upon the recent work of the original authors. Whilst progress has been made by the Pathfinders, we believe that the limited scale of intervention to date (in terms of outcomes) means that Government will find that the root causes of the problem they were established to address, by and large remain.

5.7 The Pathfinder programme needs to be seen as no less than a “Cities Modernisation Programme”, a key ingredient in an attempt to develop more competitive City Regions. The Government needs to do more to get across a public message about what is at stake, and lead a sustained national media campaign to support local media activities initiated by the Pathfinders and their partners.

5.8 We acknowledge the need for Government to keep a balanced investment programme between North and South. However, although increasing supply in the South to keep pace with demand is essential it should not be at the expense of allowing northern urban areas to flounder and become uncompetitive.

6. The Future Role for Local Authorities as Builders and Managers of Social Housing

6.1 Traditionally, local authorities have been very effective providers of housing but they are now constrained by their lack of ring fenced funding to keep their stock in good condition or develop new property to meet local needs.

6.2 Whilst we are not opposed in principle to the involvement of ALMOs or high performing LAs in the direct provision of social housing, there need to be two tests applied:

- The most efficient provision of affordable housing will always involve maximising private sector investment. The principal must be established that any involvement of ALMOs/LAs in direct provision must also be capable of leveraging in private funding, in addition to unlocking the latent value in owned assets. The Government must not accept higher levels of subsidy per unit, in the interests of diversifying provision away from RSLs.

- The Housing Corporation has successfully reformed RSL development by a dramatic reduction in the number of developing RSLs, through encouraging the establishment of cost effective delivery partnerships benefitting from economies of scale of supply chain management, modern methods of construction and so on. By channelling SHG through a small number of skilled partnerships the Corporation has established a balance between competition and scale of delivery. There is also a well-documented skills shortage in the sector. It follows that the introduction of new developers into the provision of social housing must be well thought through, and consistent with aims of achieving value for money and ultimately delivering more outputs for less money.

6.3 However, Government policy sees local authorities as strategic enablers rather than simply builders and managers of housing, a view which was endorsed in Ruth Kelly’s acceptance speech when she became Secretary of State. It may be that in embracing this role local authorities will be better placed to address the critical issues, such as stock condition in the owner-occupied and private rented sector and community cohesion.

7. THE EFFECTIVENESS OF DIFFERENT SOCIAL HOUSING MODELS INCLUDING TRADITIONAL LOCAL AUTHORITY HOUSING, ALMOS, HOUSING CO-OPERATIVES AND HOUSING ASSOCIATIONS

7.1 Our view is that RSLs have a unique position in the sector and offer the most flexible and cost effective model for the delivery of social housing.

7.2 RSLs have been hugely successful in leveraging private finance. Since 1997 the amount of private loan funding TRG has raised has multiplied dramatically from £65 million in 1997 to £211 million in 2006. They have tackled neighbourhood issues in a unique manner and in a way which has impacted on health, employment, and community facilities as well as housing provision. In many cases we are holding neighbourhoods together and this position is affirmed in Renewing the Housing Market of Liverpool’s Inner Core which states that “the commitment of RSLS to these neighbourhoods has prevented a complete market collapse”.

7.3 Housing Co-operatives, at their best, can empower people through the provision of housing in a way that, whilst difficult to measure by normal “efficiency” tools, can fundamentally alter their life-chances in a way that cannot be measured for “efficiency”. Likewise, the benefits for people living with a good Co-op in terms of neighbourhood sustainability are very difficult to measure in terms of efficiency. On balance however, their contribution is likely to be marginal in the wider housing context.

7.4 LSVTs can be a very effective model for improving the standard of existing social housing and, in the longer term, moving into new provision. Some of the most effective RSLs were formed because of LSVTs. However, as with all other RSL “types” it does not follow that because an RSL is from an LSVT background, it will necessarily be efficient.

7.5 Even within the “traditional” RSL sector, there is a huge range of types and performances. Most of the larger regional and national RSLs have adopted some form of Group Structure, to deal with their particular business needs. The HC has been effective in reducing the amount of developing RSLs by partnering, although there is still room for improvement in the management of the partnering programme. Larger RSLs covering numerous regions may sometimes have efficiency challenges due to the spread of their work but if they are well managed they can use their size to deliver efficient central services to a range of locally based “hubs” which provide customer focused effective local services. Some associations are addressing the efficiency agenda by forming consortia to deliver elements of work (eg Fusion 21 in Merseyside) and this is likely to spread with the National Framework for Procurement. Associations also have access to more general “buying clubs” such as Procurement for Housing.

CASE STUDY

TRG is a member of Fusion 21 and is a radical construction partnership set up by a group of Merseyside RSLs which has initiated a seven-year programme for a £225 million upgrade of homes across Merseyside. The programme has re-engineered the traditional construction supply chain allowing Fusion 21 to manage the cost of both materials and installation using sophisticated sourcing procurement and strategic cost management techniques. Savings from Fusions approach mean that partners get “more for less”.

For example a window replacement programme originally designed for just 79 properties was able to add an additional 12 homes. In 2006 the partnership anticipated efficiency gains of 1.6 million (21%) for TRG. The gap between Fusion process and the market is increasing for many aspects of its work. For example the cost per unit of window and door replacement in Fusion 21 properties is around 40% less than Building Cost Index Service inflated cost from the base date.


7.6 Attempts to measure efficiency and compare across the sector are notoriously difficult—the Operating Efficiency Index and the proposed Grant Index being examples where the publication of simple data without context is at best unhelpful and at worst presents a misleading picture that could have serious and inappropriate effects on the reputation of individual RSLs.

7.7 ALMOS are able to invest, but are tied, at least in their early years, to specific geographic locations. The stock they manage is constrained by the ultimate ownership and their funding arrangements tend to be less flexible than ownership RSLs. They have proved to be an effective shorter-term measure and have

36 “To support this work I want to see local authorities taking an increasingly important strategic role on housing. Traditionally their role has been that of a social housing provider. I see their future role increasingly as a commissioner and strategic leader of their local areas, using all their levers—such as their planning powers as well as housing policies—to create mixed communities, particularly in areas of concentrated disadvantage.” Letter from Ruth Kelly to the Prime Minister 12 July 2006.

proved successful in raising the game of social housing providers by demonstrating capacity for improved performance and customer satisfaction. Audit Commission inspections have confirmed the ability of the ALMO model to deliver savings along with improved service however, it is not necessarily a one way route to success as evidenced by recent reports of the first rating reduction for an ALMO from two to one stars.

7.8 PFIs are a relatively new phenomenon. Non-HRA (Housing Revenue Account) PFIs tend to be on a relatively small scale and have been effective in delivering individual projects. This model may be of use in the future where particular needs are identified and can be discretely delivered. HRA PFIs are much more complex to set up and although it would appear that they may be able to deliver in a more streamlined way than some Local Authorities, the cost of set-up by the contractor and the Local Authority is substantial and will partly outweigh the savings on delivery. It is probably too soon to tell clearly whether HRA PFIs will be more cost effective in overall terms in the long run.

7.9 TRG has been successful in securing two PFI contracts, RAF Cosford (MOD scheme—146 units) in 2000 and Sandwell (HRA scheme—1,300 units) in 2006. Whilst we are confident we can deliver our social housing objectives within these regimes our experience has been that the lead in processes are resource intensive, expensive, and fraught with delay. For example set-up costs for the Sandwell PFI have amounted to some £4.5 million. These costs are a function of the bureaucracy rather than any lack of efficiency on the part of the parties to the contract. Furthermore in our experience they are unduly lucrative for the consultants who specialise in advising on their complexities.

8. The Role and Effectiveness of Private Rented Housing in Meeting Housing Needs

8.1 Our experience of private rented housing is indirect and makes us hesitate to generalise. There has been a proliferation in Liverpool, of higher end private renting, largely in the city centre, where large numbers of new build apartments have been constructed. Many of these have been purchased as investment opportunities by absentee investors and remain unoccupied whilst others are let through local management agencies. Their condition is likely to be good and their rents typically high. However, management arrangements vary from intensive on-site management to casual arrangements via individual owners undertaking management and maintenance responsibilities. It is too early to assess the impact of these arrangements on stock condition and turnover of tenants due to the relative youth of this new build sector.

8.2 However, there is some evidence that a “saturated” city centre market is forcing a reduction in rents thus making these apartments more accessible to potential renters from outside the city centre. This in turn produces a higher number of vacancies outside of the city centre in inner urban areas, where increased costs associated with increased turnover and interrupted occupation might impact upon private landlords’ inclination to repair and maintain.

8.3 There are significant numbers of units of private rented stock in outer urban areas where the quality of the stock is good, the location desirable and turnover low. However, the appearance of much of the private rented stock in the inner urban areas bordering the city centre suggests it is poorly maintained and badly managed and located in neighbourhoods, which are run down high turnover areas with high levels of vandalism, environmental blight and anti social behaviour. Would-be landlords find that the only way to make a return is by buying a low value property and delivering services to poor standards. There is a very low take up by private landlords of voluntary registration with City council landlord accreditation schemes. The capacity of city councils to drive landlords into these schemes is accounted for by asylum seekers and refugees or migrants on work permits where almost all have English as a second language and where many are traumatised and vulnerable.

8.4 We have some experience of private renting in the inner core of Liverpool. In the Kensington area, which is a New Deal for Communities area, private renting comprises 20% of all tenure with owner occupation 40% and social renting 40%. In this community the BME constituency has increased exponentially over the last decade from 4% to an estimated 20% of population. Almost all of this increase is accounted for by asylum seekers and refugees or migrants on work permits where almost all have English as a second language and where many are traumatised and vulnerable.

8.5 Since Kensington sits within the HMR Pathfinder area and is subject to significant clearance of terraced housing to assemble sites for new building, most allocations of social rented stock are made to clearance decants. The upshot of this is that new lettings are made almost exclusively to the pre-existing long-standing residents whose homes are to be cleared. The new arriving BME residents mostly settle in private rented housing, which is typically in poor condition with least security and thus that part of the community with most vulnerability is subject to the least support and worst conditions.

8.6 A further consequence of this settlement into this specific private rented sector is the emerging negative political reaction of pre-existing residents who see the new arrivals living in poor housing and thus associated with poor housing and increasingly seen as responsible for the quality of that housing.

8.7 Where the amount of private rented stock is so large relative to social housing, the capacity of a planned or structured approach to building sustainable, stable neighbourhoods is undermined. The private sector must be regulated and encouraged to participate in partnerships with other public and private agencies committed to the construction or maintenance of sustainable neighbourhoods.
8.8 We think that if the private sector is to be encouraged or even incentivised then landlords should be regulated and subject to the same standards as social landlords. This would mean they would be compelled to deal with stock condition and anti social behaviour via strategies which are analogous to the Decent Homes and the Respect Standards.

**CASE STUDY**

A gang of 11 teenagers has been banned from an area of Liverpool after terrorising a community for two years. The gang members, who called themselves the Kensington Riot Squad, were all given anti-social behaviour orders (ASBOs) by magistrates in the city. The court heard how they set cars and houses alight, smashed windows and carried weapons in the Kensington area. Local residents fought back and took evidence of their behaviour to police, the council and housing association. A Safer Neighbourhood Officer employed by Community Seven a subsidiary of TRG Housing Association, collected evidence about the gang’s behaviour over a two-year period. This culminated in the granting of the 11 ASBOs which the police said would be “rigorously enforced”.

This case study demonstrates the level of commitment that is required from responsible landlords to tackle anti social behaviour. None of the people receiving ASBOs in this case study were TRG tenants and the majority lived in the private sector.

*Source: BBC News, Online, 2006.*

9. **THE PRIORITIES AND EFFECTIVENESS OF THE HOUSING CORPORATION, ENGLISH PARTNERSHIPS AND THE REGIONAL HOUSING BOARDS IN RESPONDING TO HOUSING NEEDS**

9.1 As mentioned in a recent discussion paper on Housing Corporation funding38 the current regime has “enabled associations to attract £30 billion of private loan finance. A secondary advantage of the funding regime is that any financial benefit sits within non-profit distributing, highly regulated bodies and is recycled into new schemes and better services”.

9.2 The Housing Corporation has managed its programme effectively and always spends to target. As our regulators they have an unparalleled understanding of the sector and it would be disappointing if any new solutions undermined support for the RSL sector.

9.3 English Partnerships largely focuses on new/affordable housing which is important but not everything. We should not lose sight of the problems of stock condition and assume that Decent Homes Standard will be the panacea by 2010 as the problems will not have gone away. We need to be continually mindful of the role of refurbishment and renewal as part of the housing offer.

9.4 If there is an imperative for change we believe that housing strategy and direct investment could productively be combined in one agency which has the same boundaries as those for economic development. We also believe that investment and regulation should be co-located as the ability to control investment gives “teeth” to the regulators.

10. **THE ROLE AND EFFECTIVENESS OF THE PLANNING SYSTEM, INCLUDING SECTION 106 AGREEMENTS IN THE PROVISION OF RENTED HOUSING AND SECURING MIXED TENURE HOUSING DEVELOPMENTS**

10.1 DCLG should undertake a comprehensive review of the way in which local authorities utilise s 106 agreements to deliver affordable housing, identifying best practice, and setting performance targets for all authorities where the use of s 106 agreements are commercially possible.

10.2 Section 106 agreements usually have the effect of reducing (sometimes to zero) the value of the plots that are required to be affordable. This means that they are cheaper for the public purse to support—with nil or low grant.

10.3 There is no doubt that at the moment the greatest benefit from s 106 agreements accrues in times of high site value and strong market conditions. Whilst some LAs are very skilful at maximising provision through s 106 agreements our experience of working in many different LAs confirms DCLG’s concern that there is no consistent approach. Some local authorities are outmanoeuvred in negotiations with well-represented private sector developers. Others (and this is the case in the North West) do not use s 106 agreements at all for the provision of affordable housing, normally because they regard them as a potential barrier to development where housing markets are weaker. Where this is the case, authorities should be required to justify their non-use of s 106 powers through evidence.

10.4 It is our experience, that the most effective approach (especially, in the delivery of homes for rent) is for a LA to involve a social housing provider in the earliest stages of s 106 negotiations to ensure that the location, mix and quality of provision is optimised. LAs should be encouraged to identify RSL partner shortlists to present to developers prior to planning approval, to prevent provision being shaped by last-minute bidding wars, providing best price to the developer, often at the expense of a high quality product.

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38 IQ (Tribal magazine) Winter 2005–06.
It is our direct experience that the best s 106 agreements arise out of robust negotiation processes, and LAs should be encouraged (or required) to develop policies and procedures which deliver these and strengthen their own negotiation positions. This might be part of the criteria for achieving a “fit for purpose” housing strategy. The Audit Commission’s recent good practice document should assist local authorities in improving their use of s 106 agreements through improved processes, however, there also needs to be a focus on the outcomes of agreements.

10.5 The whole s 106 system relies upon negotiated agreements between LAs and developers, and so an over-prescriptive approach is clearly not appropriate. However, LAs can be encouraged to raise their game through establishing targets for provision with DCLG, developing robust procedures and learning from good practice.

11. THE EFFECTIVENESS OF HOUSING BENEFITS AS A MEANS OF PROVIDING ACCESS TO RENTED HOUSING TO THOSE IN NEED

11.1 Housing benefit is crucial in allowing access to social housing to people with limited incomes. It has been a central plank in welfare benefits provision since the 1980s and because of the scope for direct payment has been vital to landlords as a means of safeguarding the rental income stream. In 2005–06 just 20% of tenants moving into Riverside Housing Association properties did not qualify for housing benefit.

11.2 However, the administration of housing benefit is of variable quality. Some local authorities have excellent arrangements in place to support applicants and streamline relationships with social landlords, whilst in other cases there are issues with payment delays and over zealous approaches to the reclaiming of overpayments. There should be clear standards in place for service delivery and liaison, supported by robust service level agreements with relevant agencies.

11.3 In some areas we have set up productive arrangements where TRG staff are trained to act as verification officers for the housing benefit claims made by our tenants. This has the effect of streamlining procedures and ensuring that claims are processed more quickly and accurately to the benefit of both landlord and tenant.

11.4 Furthermore our findings are that many tenants who are most in need of housing benefits under claim. TRG runs a welfare benefits advice service in our Waterfront Division and we conduct regular surveys of clients who obtain assistance from the service.

78% of tenants who used our welfare benefits advice service in quarter 1 of 2006–07 were enquiring about housing benefit and 58% received increases to their weekly income as a result of housing benefit reassessments, with tenants reporting additional income of between £10 and £20 per week.


11.5 It is also our experience that the housing benefit system acts as a disincentive to people who are not in paid employment but have the opportunity to take up work which is relatively low paid. (Once a claimant’s income exceeds their applicable amount their housing benefit reduces by 65% of any additional income.) We also find that tenants whose financial circumstances fluctuate are disadvantaged by the system, which can be slow to respond when people move from unemployment to part time work or from employment to disability benefits.

11.6 We are extremely relieved that the government has chosen not to pursue proposals to allow social housing tenants to have their benefit paid direct to them rather than the landlord. Government must accept that housing benefit acts as a safeguard to the vulnerable and financially excluded and it should not put their tenancies in jeopardy by removing or reducing direct payments to landlords. People who live in straitened financial circumstances will inevitably be tempted with cash in hand and to remove this option is to withdraw support rather than offer choice and empowerment.

CASE STUDY

Tenant A was in rent arrears of £1,527 and TRG was proceeding to court to request a possession order. The welfare benefits advisor was notified and advised the tenant on housing benefit eligibility. However, it emerged that she had applied for housing benefit herself and had the money paid into her bank account. When asked why she had not used this for rent payment she explained that she had not realised that the award had been made and subsequent credits had been cancelled out by her overdraft. Direct payment has now been re-established but court action is ongoing due to the current level of arrears which stand at £1,932.


39 The “applicable amount” is the minimum amount which the benefit rules state a person needs to live on based on size of household, age and any health problems.
11.7 Furthermore housing benefit should not be used in a punitive manner to deal with problems like anti-social behaviour which should be addressed with bespoke strategies and remedies. We cannot condone any attempt to take housing benefit away from perpetrators of anti-social behaviour. This would simply make their tenancies unviable and lead to reduced sustainability of the community and punish landlords by eroding the rental income stream.

11.8 Government should be looking at the whole of the welfare benefits infrastructure with a view to taking more people out of poverty and giving tax and benefit incentives to ensure they are rewarded for taking up employment.

Memorandum by the Sunderland Housing Group (SRH 20)

1. INTRODUCTION

1.1 Sunderland Housing Group welcomes the opportunity to respond to the Housing, Planning, Local Government and Regions Committee inquiry into the supply of rented housing. The following response represents the views of Sunderland Housing Group, which comprises the following companies:

- Sunderland Housing Company Limited
- Emperor Property Management Limited
- Emperor Construction Services Limited
- North Sunderland Housing Company Limited
- Central Sunderland Housing Company Limited
- South Sunderland Housing Company Limited
- Houghton and Hetton Housing Company Limited
- Washington Housing Company Limited

2. GENERAL COMMENT

2.1 There is clearly a need to increase housing supply across the board. This has been articulated in the Barker Review of Housing Supply and more recently in the Joseph Rowntree Foundation sponsored Housing and Neighbourhoods Monitor. Recent housing policy has emphasised the prioritisation of home ownership as the key aspiration for housing policy. This is based on both aspiration, with the treasury claiming up to 90% of the population aspire to home ownership, and on cost, with pressure to reduce subsidy levels but increase housing supply concurrently. The Group’s main points of argument are:

- that there is a need for flexible funding and tenure options within an increased rented housing supply.
- that different tenures will suit people who are at different stages of their housing life cycle
- that a variety of funding methods are now available that can bring forward efficient delivery of development programmes.

2.2 The Group’s experience of housing supply runs against the traditional view of a prevalence of low demand for housing in the North. Housing market pressures have forced home ownership out of the reach of many people on low incomes which has created an increased demand pressure for good quality affordable rented housing. Within Sunderland, average earnings to average house price ratios are now at around 6 times average income. Even lower quartile house price ratios are now at around 3.8 times average income. At the same time turnover within the Group’s affordable rented stock has reduced from 13.5% 5 years ago, to just 8.7% currently. The net effect of this is that the Group is now letting just 2,450 properties per annum compared to 4,900 in 2001. The Group runs a choice-based allocations system and now receives over 100 expressions of interest for every property advertised. All the indications are that this trend will continue for the foreseeable future. There is therefore very little slack in the supply side and all the indications are that additional affordable housing will be required.

2.3 The Group’s development programme has focused in recent year’s on restructuring and renewal of estates that were beyond economic repair. The replacement housing solutions have provided mixed tenure estates drawing on cross subsidy funding models. It is the Group’s experience that pepper-potted mixed tenure can provide sustainable housing solutions. However, it is also the case that there remains a very high demand for good quality affordable rented housing. The Group will argue that in increasing net housing supply across the board from historically low levels of 130,000 to 200,000 units per annum, there needs to be a much stronger case for increased proportions of affordable rented housing. The Group accepts that this needs to be achieved in a cost effective manner and will demonstrate in the specific comments how this can be delivered using combinations of cross subsidy from rent to sale, developer’s profit, grant and core business.
3. **Specific Comments**

3.1 In relation to the specific discussion questions the Group will respond as follows:

3.2 *The level of public funding required to meet social housing needs*

There has been much publicity about the increasing levels of expenditure being provided for social housing. The Housing Corporation’s current programme of £3.9 billion expenditure over 2 years will deliver 84,000 affordable homes which will bring affordable development up to levels not seen since the 1980s. This is a welcome move. Indications are, however, that unit costs for development continue to rise. Land costs are such that many RSLs are no longer land banking and instead are using Section 106 agreements in conjunction with private developers to bring forward schemes. Within the forthcoming Comprehensive Spending Review we would argue that affordable housing expenditure will need to increase if the level of affordable housing supply is to increase as reports such as Barker indicate it should.

On a pro-rata basis on current Housing Corporation funding levels, to get up to the 48,000 unit level per annum to maintain supply at the level of demand (without addressing the supply backlog of a further 9,000 units per annum) this would require funding levels for the 2008-10 programme of around £4.5 billion or conversely would require the grant unit cost to come down from the current £46.4k per unit down to £40.6k per unit. Some degree of reduction in grant rate per unit may be possible through efficiency savings, but funding of at least a similar level to that currently will be required. If further supply is then needed above the 48,000 per annum identified then additional funding must be secured accordingly.

3.3 *The relative funding priority being given to social rented housing as opposed to shared ownership and other forms of below market housing.*

It is the Group’s experience that there is a high demand for good quality affordable rented housing. The Group also believes, however, that there is scope to provide additional tenure flexibility building on the shared ownership and low cost home ownership models already available. As part of its submission to the Northern Housing Challenge, the Group is keen to advocate a model whereby residents can move between tenures as well as looking at new affordable supply. This is shown simply as follows:

<table>
<thead>
<tr>
<th>100% rent</th>
<th>Shared ownership increasing staircasing</th>
<th>100% o/occ</th>
<th>Shared ownership increasing staircasing</th>
<th>100% rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing lifecycle</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Increased flexibility would enable tenants to purchase shares in their existing property where they cannot afford a full purchase under the right to buy or right to acquire models. There may also be options in this model to allow funders a share in the equity either through private finance or through grant funding. This would therefore enable public funders to benefit from potential housing market uplift over the medium to long term.

In terms of relative funding priority, there is still a need to maintain a large stock of good quality affordable housing and to add to this stock simply to maintain affordable rented levels. Supply by tenure has shifted significantly over the last 20 years as illustrated below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Owner occupied</th>
<th>Private rented</th>
<th>Affordable rented</th>
<th>Total Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>12,442</td>
<td>2,378</td>
<td>6,778</td>
<td>21,595</td>
</tr>
<tr>
<td>2004</td>
<td>18,306</td>
<td>2,663</td>
<td>4,984</td>
<td>25,953</td>
</tr>
<tr>
<td>Change +/-</td>
<td>+5,864</td>
<td>+285</td>
<td>-1,794</td>
<td>+4,358</td>
</tr>
<tr>
<td>% Change +/-</td>
<td>+47.1%</td>
<td>+12.0%</td>
<td>-26.5%</td>
<td>+20.2%</td>
</tr>
</tbody>
</table>

Source: DCLG Live Tables

Major factors in tenure change have been the increase in new build for sale but also the right to buy which has seen a significant shift of property from affordable rent into owner occupation. In the Group’s view, this shift combined with the significant recent uplift in house prices has now created a shortfall in affordable rented housing hence the recent demand pressures we have seen on the affordable rented stock. Affordability remains a key factor in determining the level of affordable rented housing that should be targeted in the future. There should therefore be a combination of low cost home ownership options for those who can afford it together with a continuing and increased supply of rented housing for those who either can’t afford to buy or whose circumstances are better suited to renting.

The need to replace as well as add to the stock also needs to be considered. Demolition and new build to remove out-dated and stock in poor condition requires investment but does not necessarily add to the overall housing supply.
The Group would also argue that future affordable rented supply is not just a factor of historical extrapolation. As the Group’s demand figures show, it is becoming the Group’s experience that affordable rent, if done well can become an option of choice not just of last resort.

In summary there is scope within the housing stock both for low cost home ownership for those who can afford it and for a high quality affordable rented stock for those who either cannot afford to purchase or whose circumstances are better suited to renting.

3.4 The geographical distribution of subsidies for affordable housing

Affordable housing subsidy is currently distributed unevenly in absolute terms between geographical regions. Equally, grant per unit delivered shows significant variations across the country. The proportion of grant against population distribution is also uneven. For example, in the Housing Corporation’s 2006–08 ADP round, the three northern regions were allocated 10.3% of the nationally available grant despite being home to 28.6% of the population. Conversely, London and the South East were allocated 64.1% of the ADP round whilst being home to just 31% of the population. The Group accepts that demand pressures are much higher in some areas of the South, however, it also feels that the funding distribution is still too heavily skewed away from the North.

This is not just an issue over direct subsidy, however. The North East is the most deprived of the English regions and housing investment brings with it much needed local economic multipliers. For the North East to receive proportionately the lowest allocation per head of population misses the wider economic benefits that housing can bring. The Group is keen to demonstrate that targeted housing investment can bring with it job creation, training, skills retention and genuine neighbourhood renewal rather than just seeing housing investment as a simple solution to housing demand. The Group has demonstrated to the Housing Corporation that it can deliver more units at lower grant rates than the majority of its regional counterparts. The Group would therefore wish to see some additional geographical flexibility, where it can be demonstrated that value for money can be achieved against public investment. English Partnerships, for example, operate very effectively yet are not as geographically restricted and we would welcome similar approaches being adopted by all public funding vehicles.

3.5 The future for local authorities as builders and managers of social housing

The Group does not see any reason why local authorities should not enter into the building of social housing or continuing to manage social housing. The Group’s experience has been that transfer released the ability not just to invest in the housing stock but to step out into much broader neighbourhood renewal initiatives. To that end, any initiative which allows other local authorities the same freedoms is to be welcomed. Difficulties may arise, however, in addressing the longer term investment planning and renewal issues that inevitably accompany restricted revenues. PFI may be one route to enabling Local Authorities to continue to bring investment into the housing stock.

A further issue that should be addressed, however, is the requirements for ballots before LSVTs can proceed. An NHS Trust or a schools PFI scheme has no requirement to ballot before it can proceed yet the anomaly of the LSVT ballot remains, despite the demonstrable benefits that private finance can bring. If the PSBR rules could be relaxed in some way such that local authorities could borrow against income streams, this would bring a tremendous benefit in investment terms to local authorities which the Group would fully support.

3.6 The effectiveness of different social housing models including traditional local authority housing, ALMOs, housing co-operatives and housing associations

From the Group’s perspective there are two issues to highlight here, investment and freedom to innovate.

In terms of investment, the transfer of stock allowed a £600 million investment programme to proceed directly into the City’s housing stock. This includes bringing the transferred stock up to the Group’s Amenity A standard (in excess of the Decent Home Standard) and to address some of the most entrenched housing renewal issues in the City. The borrowing that can be secured from transfer can release housing investment that will maintain the housing stock in perpetuity, something that ALMOs and stock retaining local authorities will still have to address. The level of investment released also generates significant local economic benefits that can be captured to improve localities. This is especially the case when there are large concentrations of stock such that there is a local critical mass in an area from which wider initiatives such as Local Area Agreements can develop. This is something that is not always achievable for more traditional housing associations whose geography will make it difficult to have significant community impacts in an area even if they can access significant levels of development grant funding. The Group is particularly keen to explore how a large and positive local presence can be harnessed to improve service a across a range of areas including crime and anti social behaviour, education, health, training and job creation. The Group is also exploring how the general aspiration of an area can be uplifted through tenure mix and combining quality housing services with wider public services and will be shortly commencing some work on impact assessment of long term investment into the housing and social infrastructure of an area.
Secondly, the Group’s experience is that the governance freedom that has come from transfer has allowed it to move into much wider areas of business than simply the original investment plan to meet the decent homes standard. The Group is now active in City Centre refurbishment, build for sale and rent, sponsoring an Academy, investing in over 100 apprenticeships, involved in schools citizenship programmes, contracting across the north east for construction and modernisation works and attempting to secure development partner status in its own right. These things are possible because of the innovation and freedom that came out of transfer. There is no reason why large housing organisations shouldn’t have similarly varied programmes given the freedoms that they enjoy.

3.7 The role and effectiveness of private rented housing in meeting housing needs

It is the Group’s view that private rented housing plays an important role in housing markets. It often acts as a buffer where housing demand is otherwise high and can often provide temporary and flexible housing solutions outwith statutory housing provision. Proportionately, private rented housing accounts for around 10% of the national housing stock and has shown a slight increase in recent years. There are concerns, however, over some of the roles of the private rented sector. A niche has emerged for private landlords providing temporary accommodation at premium housing benefit rates. Property provided can be of poor quality with insecure tenure and poor management. The Group therefore welcomes initiatives such as the temp-to-perm initiative whereby private funders can work in partnership with local authorities and registered social landlords to provide much higher quality accommodation and services to vulnerable people.

The Group is additionally keen to pursue the wider role that Housing Associations can play in providing high quality accommodation at market rent levels such that a broad portfolio of housing provision can be provided alongside home ownership and affordable rented provision. A number of Housing Associations have entered into the quality private rented market as well as providing intermediate market rent, student and nursing accommodation. This should be seen as an opportunity for housing associations to bring quality property and management solutions to this essential sector of the housing market.

3.8 The priorities and effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in responding to housing needs

It is interesting to note that only three bodies are mentioned in terms of the effectiveness of the response to housing need. The reality is that several other bodies need to be included in understanding how the Housing Corporation, English Partnerships and the Regional Housing Boards can operate. At a regional level these include the Regional Assembly, Government Office and the Regional Development Agency. At a local level this also includes the crucial relationship with local authorities and the role that housing associations can play within what becomes a complicated picture of housing supply.

Essentially, the relationship of the three bodies mentioned is that of funding provider. The additional bodies then provide various frameworks within which investment can be delivered effectively. It is the Group’s experience that English Partnerships have been more flexible, more responsive to opportunity and more commercially minded. The Housing Corporation is driven by delivery of housing units which it must achieve against allocated expenditure according to very prescriptive criteria. There is perhaps more room for flexibility and risk when it comes to investment. The regional housing boards essentially gather intelligence on the regional housing position then make their strategic priorities and funding recommendations. The reality is, however, that regional boundaries are not necessarily housing market boundaries. The City Region concept is perhaps a more realistic assessment of how local economies function and the housing markets that operate within them.

In terms of the way forward we would wish to see some clarity of decision over the future funding roles of English Partnerships and the Housing Corporation and whatever the outcome of that, greater flexibility to result in bringing forward and funding developments. In addition, the Regional Housing Boards should take more note of the City Region concepts and not be afraid to take risks in moving away from the traditional “cake slicing” approach to funding allocation.

3.9 The role and effectiveness of the planning system, including section 106 agreements in the provision of rented housing and securing mixed tenure housing developments

It is the case in the North East that very little use to date has been made of Section 106 planning agreements in new development. There is perhaps scope for funding bodies to insist on greater application of mixed tenure solutions and to require developers and local authorities to demonstrate that full use of planning tools available has been made as part of the funding criteria. It is interesting to note that other Government’s have introduced more specific legislation to ensure there is adequate social housing provision in new developments. In Ireland for instance local authorities have the power to require that up to 20% of land approved for residential developments can be set aside for social and affordable housing and perhaps the Section 106 provision needs to be more specific and linked to funding criteria.

Section 106 is not the sole solution, however. In the Group’s case, new mixed tenure developments are being built that are genuinely pepper-potted in a ratio of around 35% owner occupied to 65% affordable rent. This model can operate at lower than average grant rates due to the levels of cross subsidy from sale
to rent involved. This also operates without a section 106 agreement. The Group feels that this model can be developed further and can overcome some of the nervousness private developers may have around pepper-potting sale and rented units in the same development.

3.10 The effectiveness of housing benefit as a means of providing access to rented housing to those in need

The Government has set in place a long term programme whereby it can create a level playing field through rent restructuring in the affordable housing market. Ultimately it seems the alternative to housing benefit would be a Local Housing Allowance which could then be applied across providers on the basis of choice. The reality is, however, that in affordable rented housing there are several currencies in use at any one time, not just financial. The primary currency continues to be need, followed by secondary criteria such as personal circumstances, family connection, length of time on waiting list etc, followed by ability to pay. Whichever payment method is used, need will continue to take the highest priority such is the demand for affordable rented housing. The reality is that rent has to be paid by people who otherwise cannot afford to pay unless given some form of subsidy. In that regard, housing benefit is a steady income stream and in most cases it works, giving vulnerable people the means to live in affordable accommodation and giving landlords the income security to provide and maintain it.

There are real concerns over the potential introduction of a Local Housing Allowance principally because it has the potential to make rent much more difficult to collect as early pilot schemes have shown. Also there is no evidence that the choice provided would be any greater than that which is achieved by functional choice based lettings schemes. The Group would therefore support the continuation of housing benefit as the principal means through which individual housing subsidy is paid.

3.11 The impact of the operation of Council Tax Benefit for the affordability of rented housing

Where housing benefit is payable it is usually the case that Council Tax benefit is also payable. For many tenants on benefit, Council Tax is therefore a neutral issue. There are concerns, especially for people who are on lower incomes, over the continued inflationary real terms rises in Council Tax. For people who are close to the poverty line, this can be a real issue especially as incomes rarely increase at the same level. For elderly people in particular this can lead to issues of payment for fuel and heating which they are more likely to go without than risk non-payment of Council Tax. Furthermore, low take up rates of Council Tax benefit among the elderly compound the problem for low income residents. Rent levels in contrast, are restricted to RPI + 0.5% and a similar restriction, if possible, combined with higher take up of benefit entitlement would benefit low income tenants.

Memorandum by the Audit Commission (SRH 21)

Summary

1. The future role of local authorities as builders and managers of social housing is dependent on whether government policy objectives seek to rationalise the number of housing delivery arrangements or look to broaden the supply network. The current subsidy arrangements effectively preclude local authorities from having an active role in house building. This is because the financial systems are generally too restrictive and are preventing revenue resources from being re-invested locally.

2. All forms of social housing provider can be good managers of housing stock and deliver high quality services. Key drivers of improvement in the provision of excellent services can be identified, but these do not relate to a specific delivery model.

3. The use of the private rented sector to meet local authorities’ statutory housing obligations has increased. However, inspections have identified that local authorities do not have a clear picture of the private sector housing market in their area. Without this knowledge, the local authority will have limited ability to influence and utilise the sector.

4. Section 106 agreements, in which a local planning authority and a developer enter into a legal agreement to provide infrastructure and services on or off the development site where this is not possible through planning conditions, have played an important role in securing affordable housing and mixed-tenure development. But there is a limit to what can be achieved through Section 106 agreements.

5. We believe that the issues which the Committee highlighted in its inquiry are interlinked and are all underpinned by the local authority’s ability to execute a strategic housing role and ensure that local housing need is met, possibly in conjunction with adjacent authorities. Inspection findings demonstrate that there is considerable scope for improvement in this role for local authorities.
Detailed Response

Introduction

6. Housing is an integral part of the broader agendas of social inclusion, regeneration, sustainable development and neighbourhood management, which is reflected in the work programme of the Audit Commission's Housing Inspectorate.

7. Through a programme of inspections covering local authorities, arms-length management organisations (ALMOs), housing associations, Supporting People programmes and market renewal, the Commission aims to be a catalyst for improvement. Inspections inform the public about the performance of the services or programmes inspected, and contribute directly to local, regional and national policy debates.

8. Inspections of housing services and the Supporting People programme are undertaken within the agreed framework of the Key Lines of Enquiry (KLOEs) which cover both specific service areas and cross cutting themes. Inspections assess both the current quality of services from a resident’s perspective, and the likelihood of improvement of those services.

9. In addition, the audit functions of the Commission provide a robust store of information and judgements on local authorities. This includes work completed under the Comprehensive Performance Assessment (CPA) for unitary authorities, with the sustainable communities agenda and requirement for community strategies.

10. Finally, the Commission produces value for money national studies drawing on inspection, audit and research expertise. Findings from these reports are relevant to this inquiry and inform the Commission’s submission. These include:

- **Choosing Well** (May 2006), which looked at the impact of choice on the supply and demand of social rented housing;
- **The Planning System: Managing Expectations and Capacity** (February 2006) and **Securing Community Benefits Through the Planning Process** (August 2006), which address the supply issues of housing, including rented housing;
- **Building More Affordable Homes** (December 2005), a joint report with the National Audit Office (NAO) which examined the delivery chain associated with new housing, focusing specifically on affordable housing;
- **The efficiency Challenge: The Administration Costs of Revenues and Benefits** (November 2005), which examined the potential for making efficiency savings in the administration of revenues and benefits (housing and council tax benefit). Earlier in 2002 **Housing Benefit—A national perspective** (June 2002) looked to recommend ways in which the system needed to improve, in terms of administration and the focus on recipient households;
- **Supporting People** (October 2005), which examined the state of the Supporting People programme. The programme was launched in April 2003 with the aim of providing a better quality of life for 1.2 million vulnerable people (at an annual cost of £1.72 billion) and to help them live more independently; and
- **Financing Council Housing** (June 2005), which examined the current housing subsidy system.

The Geographical Distribution of Subsidies

11. The **Financing Council Housing** report outlined a number of conclusions from the housing finance policy (at the time of publication in 2005 and using 2003–04 data), as it related to the provision of council housing and services to council tenants and leaseholders. Among the findings of the report were that:

- the complexity of the current housing subsidy system does not enable local accountability for the use of resources at a local level, since almost all key resource decisions, other than whether to stay in or transfer out of the system (through stock transfer to a housing association), are made by the government;
- an equitable relationship is needed in each locality between charges, service standards and investment in council housing and neighbourhoods. Tenants are unlikely to see a clear relationship between the rents they are charged and the services they receive. For example, council tenants in the Eastern region pay on average £14 per week through their rents to support housing costs elsewhere, while those in London are receiving a £15 per week subsidy from tenants in other parts of the country;

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41 KLOEs cover cross-cutting themes—access to services and customer care; diversity; and value for money of services—and the delivery of specific services. Inspections are undertaken of both landlord services (including income management; tenancy and estate management; and allocations and lettings) and the more strategic functions falling to local authorities (including homelessness services; private sector housing functions; and strategic housing functions).
GEOGRAPHICAL REDISTRIBUTION WITHIN THE HRA

Average amount of housing subsidy per dwelling per week in each region

2004–05

What the pattern might look like in 2012, assuming a continuing stock transfer programme of around 60–70,000 dwellings per year to 2009
the system for financing council housing recognises cost efficiency but does not specifically encourage or reward high performance, and the ongoing support of debt could be seen as perverse; and
there is a failure of the system to recognise the different market situations faced by local authorities.

12. Since the publication of this report, the Department for Communities and Local Government (DCLG) has taken on board a number of these points in its discussion paper From Decent Homes to Sustainable Communities, which also looked at ways to increase the impact of public sector investment and public sector assets.

13. The Commission’s report Building More Affordable Homes highlighted again the lack of clarity at regional and local levels about roles and relationships under the current delivery chain for affordable housing. It also found that “despite large amounts of funding, a national target, and affordable housing becoming a key corporate priority for local authorities in recent years, few authorities believe that they can yet meet the challenge to deliver large increases in affordable housing”.42

14. The report also highlighted that the delivery chain for affordable housing has changed substantially over the past two years, including the establishment of Regional Housing Boards and the removal of Local Authority Social Housing Grant from local authorities. Within this changing environment, the potential for local authorities to be recipients of the National Affordable Housing Programme is unclear. While not specifically prohibiting local authorities from bidding for funds, the requirements and focus of the programme do not encourage councils to try to access this potential funding source.

15. The greatest number of new units and level of investment is concentrated in London and the South East, where the need is greatest and there are the highest levels of households living in temporary accommodation.41 Even with this distribution of resources, very few local authorities in the south consider that they will be able to meet the need for social rented housing over the next three years. This is largely due to insufficient funding and a shortage of land available for development.44

16. In relation to low demand, the market renewal pathfinder programme has brought in funding to tackle the problems in nine of the most acute areas of fragile housing demand in parts of the north and midlands. The pathfinders are making progress and there is an opportunity for the pathfinders to make their plans more distinctively based on the concept of market renewal, as opposed to a more traditional regeneration approach. However, it is too early to draw long-term conclusions about the model, which has been running for three years.

17. A consideration of housing subsidy needs to include housing benefit. While it is a personal subsidy, its distribution is dependent on the local relationship between earnings and rent. Geographic skewing of earnings and rents would produce a differential distribution of housing benefit. The Commission has not so far explored this aspect of the regime. However, it has reviewed the administrative efficiency and national picture of housing benefit in two publications. The key messages of these reports are set out later in our response.

The future role for local authorities as builders and managers of social housing

18. As set out in the Financing Council Housing report, the current subsidy arrangements effectively deter local authorities from having an active role as builders of social housing. The financial systems are too restrictive, preventing revenue resources from being re-invested locally. Currently, there are a few limited examples of local authorities developing additional stock but not to any significant scale and this must be offset against the depletion of stock through Right To Buy scheme (RTB). Indeed, local authority new build completions equated to only 0.2% (299) of all permanent dwellings completed in England during 2005–06.45

19. The Commission’s report recommends that there should be freedoms for high- performing local authorities to become self financing, treating them more like housing associations. The Commission notes that the business planning required to facilitate a less dependent, more local market focused provider is currently being piloted in six local authorities (the local authorities of Warwick, Cambridge and Darlington, Sheffield Homes, Hounslow and Carrick, together with their ALMOs) . This would allow some scope for local authorities to build, but lending would still need to be accounted for in the public sector net cash requirement from which housing associations are exempt.

43 P1E figures—Table 624: Statutory homelessness—households in temporary accommodation. http://www.communities.gov.uk/pub/309/Table624_ad1156309.xls
45 DCLG Table 204 Permanent dwellings started and completed in England—http://www.communities.gov.uk/index.asp?id=1156032
The future role of local authorities as managers, subject to any changes in the national policy framework, is the choice of each local authority. The pace of stock transfers has reduced and the framework for achieving decent homes has enabled local authorities, with their tenants, to consider the future arrangements for their stock and its management. Of those local authorities which have retained their stock to date, 104 intend to carry on as being direct landlords and will achieve the Decent Homes Standard. 56 authorities have established, or shortly intend to have an ALMO to manage their stock and access additional funds to meet the decent homes standard. 38 authorities are planning to transfer their stock to a housing association. Unless there is a local variation to these plans, this would leave 160 authorities as landlords in 2012, 45% of all housing authorities.

The effectiveness of different social housing models

21. The Commission’s inspection regime provides a substantial evidence base for assessing the performance of different types of housing provider in the social housing sector.

22. As at 20 September 2006, the Housing Inspectorate has published 912 inspection reports since July 2000. This figure includes reports on 66 ALMOs, 221 housing associations (HAs), 621 local authorities and 4 Housing Co-operatives. 516 of these were inspections of landlord services using the current inspection methodology.46

23. The chart below outlines how landlords have performed in inspection.47

24. The chart below demonstrates poor-performing organisations that are re-inspected within a 12 to 24 month period and are likely to have improved in the interim period.

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46 As at 20 September 2006, the Housing Inspectorate has published 912 inspection reports. 290 are of non-landlord services (eg homelessness functions; private sector functions; strategic housing functions) and 108 were HA inspections scored using the Housing Corporation inspection methodology.

47 These figures include the inspections of housing associations that were completed using the Commission methodology. A further 107 HA inspections had been completed previously, using the Housing Corporation methodology, but these scores are not comparable. The scope of the inspections included here are not identical but all cover some or all housing management functions. The inspection programme for local authorities now focuses on poor performers, which has an impact on the scores. ALMOs are inspected as a condition of the funding allocation and there are still a significant number of large housing associations yet to be inspected. Housing Co-operatives are included in the data for housing associations. Where a service has been re-inspected, the original score has been excluded from this analysis so that a view of current known performance can be demonstrated.
25. To date the Commission has inspected only four housing co-ops. It is therefore not possible for the Commission to draw any conclusions about the effectiveness of this particular delivery model.48

26. Inspection evidence tells us that all forms of social housing provider can be good managers of housing stock and deliver good quality services, but we also found poor performance across all housing models. Location, landlord type and size of stock are not determinants of performance.

27. The Commission’s findings in Improvement Drivers in Local Authority Housing (2004) identified that there are key drivers to improvement but these could relate to any delivery model.49 Crucial factors that aid improvement include governance and member commitment, management changes, improved performance management, enhanced tenant empowerment, better procurement and extra resources.

28. The Commission is concerned that there is insufficient learning in the social housing sector on how to deliver high quality services. Inspection scores achieved by organisations in the first inspection by the Commission have not substantially improved since inspections began. The wealth of inspection reports, guidance and positive practice available should have facilitated improvements before an inspection’s spotlight attention.

29. Inspection has found ALMOs performing particularly well in comparison to HAs and local authorities. The Commission is not aware of any research to identify the specific reasons behind the differential level of performance. Nonetheless, the spur of ALMO funding, the need to deliver a high level of performance to attract those monies and the presence of inspection as the principle form of regulatory activity are likely to be the key factors.

30. For local authorities who manage their stock directly and housing associations there is not such a tangible reward system. The National Housing Federation recently published its Tenant Involvement Commission’s report, which ruled out a relationship between the performance of a landlord and the award of Social Housing Grant (SHG) to housing associations. If this connection was made, it could be envisaged that housing associations’ performance would improve substantially, as would that of local authorities if they could access SHG more readily, especially if a good level of performance as a landlord was a requirement.

31. In addition to service inspections, local authorities are assessed on a broad basis through CPA. This incorporates a housing element, which takes account of both landlord services (where the authority remains a landlord) and broader community issues. This includes an element which assesses performance against certain key performance indicators.50 The role played by housing in securing sustainable communities is included within the corporate assessment element of the framework.

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48 The inspection programme focuses on registered social landlords with more than 1,000 units of stock. Of the 264 co-operatives registered with the Housing Corporation (as at March 2006), none are of this size. Exceptions to this focus would be on the grounds of a risk assessment and taking on board guidance from the Housing Corporation.

49 Crucial factors that aid improvement include: governance and member commitment; management changes; improved performance management; enhanced tenant empowerment; better procurement; and extra resources.

50 CPA The Harder test 2006 www.audit-commission.gov.uk/cpa/stcc/downloads/STCCServiceAssessments.doc
32. Comparing CPA results for single tier authorities for 2004 and 2005, there was an overall improvement by local authorities in relation to the housing services element of the assessment. In 2005, two-thirds of single tier authorities were assessed as delivering above the minimum standards.

33. The former ODPM study on local authority improvement drivers, *Best Value in Housing: What Makes Local Authorities Improve and Sustain their Performance?* (2005), stated that inspection reports provide the most comprehensive assessment of performance information that is available. The study found that scores received for first inspections have not improved over time but the process of re-inspection sees 84% improving their score.

The role and effectiveness of private rented housing

34. The private rented sector is very diverse. From dwellings that are let to the lucrative corporate market, to the overcrowded poor-quality housing that some of the provisions of the Housing Act 2004 are aimed to address.

35. Households in housing need and on low income or benefits face financial barriers restricting their access to this sector. High-rent levels (higher than housing benefit caps) and requirements for deposits can prevent people in housing need from directly accessing this sector. Some private landlords will not accept housing benefit claimants as tenants.

36. Overall, the sector fulfils a number of needs, from providing flexible accommodation for households requiring mobility to providing options for households not able to access other tenures (for example students and migrant workers).

37. The private rented sector has grown slightly in recent years and now represents a significant proportion of the housing sector, equal to local authorities. The table below outlines the changes in tenure distribution over the past 45 years.

38. Rising asset values of property, such as the buy-to-let market, the arrival of common place buy-to-let mortgages and the declining returns from other forms of investment have contributed to the attractiveness of property owning and letting property.

39. A recent MORI study on neighbourhood renewal areas found that, where there is a concentration of private rented sector as a tenure type in an area, it can have a negative effect on the cohesiveness of the community because of the high turnover of households. The private rented sector also currently meets the housing needs of those who do not qualify for social housing and who cannot afford, or choose not to become owner-occupiers. Private rented accommodation is often over crowded and the Black and Minority

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51 DCLG Lives Tables 2004—stock—Owner occupation 70.7%, local authorities 10.8%, RSL 7.7% and private rented 10.8%.

52 DCLG Live tables—Chart 107 By tenure, England, historical series (chart).
http://www.communities.gov.uk/index.asp?id=1156006
Ethnic (BME) population is over represented in the tenure. If the role of this sector is to increase and become a viable long-term option for vulnerable households, decisions are needed on the type and level of intervention that are required for the sector to safeguard standards and security.

40. As the number and availability of social housing units diminishes, the use of the private sector by local authorities to meet their statutory housing obligations, for example through Private Sector Leasing schemes, has increased. Between 2000 and 2005, there was a 20% increase to 55% (54,830) of all temporary accommodation that are used to accommodate statutory homeless households.53 This sector has also, in recent years, been increasingly asked to house people under the National Asylum Support Service (NASS).

41. The nature and role of the private rented sector is not necessarily well understood. Our inspection work has identified local authorities that do not have a clear picture of the private sector housing market in their area and that improving their approach to this part of their housing responsibilities is not often seen as a priority. Without this clear picture, any local authority will have limited ability to widely regulate the sector appropriately, for example through implementing the provisions of the Housing Act 2004.

42. Local authority performance on housing strategy, as evidenced through housing inspections (73 in total) shows that only one authority scored an excellent (three star) rating in this area; 19% achieved a good rating, 66% were fair and 14% were found to be poor.54

43. This suggests that there is scope for local authorities to improve their strategic role. Although the risk-based inspection programme focuses on poorer-performing organisations, strategic inspections still reported lower scores than inspections in general.55

44. Nevertheless, there are examples of organisations that have developed a more comprehensive picture of the housing market in their locality. The market renewal pathfinders for example are well placed in terms of understanding the market in their areas. The work in Manchester/Salford and Newcastle/Gateshead to understand how the overall market is operating is particularly impressive.

45. Inspection evidence has also found examples of local authorities and ALMOs that are working well with private sector landlords. This includes some local authorities that are successfully incorporating the private sector into their overall housing strategy including Mid Devon District Council and Derby City Homes.

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The role of Section 106 agreements

46. In our report, Building More Affordable Homes (Dec 2005), we found that “Section 106 has proved an effective lever for increasing the supply of affordable housing, but there is a need for clearer and more consistent messages from local authorities so that developers do not waste time and effort in putting forward unacceptable proposals for new schemes”.

47. The more in-depth study, Securing Community Benefits through the Planning Process, concluded that:

— there is a wide variation in what councils secure under the Section 106 process. Some are missing out on opportunities to secure benefits through the planning process;

— those councils without a detailed policy on planning obligations secure substantially fewer community benefits, including affordable housing, than other councils in similar circumstances; and

— councils that have improved have often done so in response to the Government’s recent focus on improving planning performance or other drivers such as involvement from their corporate centres, including chief executives, leaders, and portfolio holders.

48. Section 106 agreements have an important role in securing affordable housing and mixed-tenure development, but there is a limit to what can be achieved through this route because one of the following ceilings is likely to apply:

— the proportion of affordable housing is limited because of the adverse financial impact it has on development viability; or

— in order to promote mixed communities, there is a limit to the proportion of affordable housing that is desirable on any given site.

49. As a result, affordable housing delivery on Section 106 sites is typically 20–30% or less, and a proportion of this affordable housing would be for intermediate tenure (not necessarily for rent). In addition, most local authorities operate a threshold of 15 or 25 units before the affordable housing policy applies. Therefore, a proportion of housing which is built for sale on the open market does not have a Section 106 agreement for affordable housing applied to it.

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53 DCLG Live Tables 631—P1E returns.
54 All housing inspection reports are available online: http://www.audit-commission.gov.uk/housing/index.asp?CategoryID=english%5E1628&page=index.asp&area=hpsector
55 All local authority inspections at 8 July 2006—4% (27) excellent, 25% (169) good, 57% (392) fair and 14% (93) poor.
56 Audit Commission, Dec 2005, Building More Affordable Homes.
50. Although there is increasing reliance on Section 106 for affordable housing delivery—around half of all affordable housing is built on Section 106 sites—the overall proportion of housing which is both affordable and secured through Section 106 is only about 12%.\(^5^7\)

**Increasing the supply of rented housing**

51. Increasing the contribution from Section 106 will require different actions in different places, because the approach needs to be designed to suit the local housing market. The scope to deliver affordable housing through the planning system depends ultimately on high house prices and low construction costs, which are influenced by the wider economy. But at the local level, there is some scope for improvement by lowering the threshold at which affordable housing applies and optimising the proportion of affordable housing and its tenure mix.

**Lowering the threshold**

—— The most obvious way to increase the supply of affordable rented housing for many councils would be to lower the threshold at which the affordable housing policy applies. If the council’s affordable housing policy is 25% for developments with at least 20 units, it would be possible to apply the policy to sites of four or more units, as long as the financial impact is taken into account. This is because the unit construction costs would be higher on small sites.

**Optimising the proportion of affordable housing and its tenure mix**

—— Our recent research suggests that there is scope for councils to increase the proportion of affordable housing sought through Section 106 agreements. Councils generally do not have an accurate picture of the financial impact of their policies on developers, so they do not know whether they are asking for too much or too little from them. Although some councils routinely conduct financial appraisals as part of the development control process, this is still an imprecise science. The allocation of SHG from the Housing Corporation further obscures the true picture. This is due to councils measuring their own achievements by the number of units secured and without reference to the amount of public subsidy consumed in the process.

**The effectiveness of housing benefit**

52. As outlined in the previous section, the disparity between the level of housing benefit available to claimants, and the rents in a proportion of the private rented sector, restricts the availability of private sector accommodation for people on benefits. Similarly people on low income cannot compete in the market for a significant proportion of good quality private rented accommodation.

53. It will be necessary to review the impact of the introduction of the Local Housing Allowance (LHA) on the behaviour of private landlords and tenants when it is introduced more widely. The LHA pays housing benefit directly to the claimant, dependent on the area rather than the property. This empowers claimants in providing them with choice on how to use the resources allocated to them for housing. However, this is only within their local authority district and not on a wider basis. Some commentators have expressed concern that the current status quo of direct payments to landlords could be disturbed and could potentially limit supply of private rented accommodation as landlords leave the sector or compete only for tenants above the housing benefit threshold.

54. Earlier in this response we made reference to the geographical issues associated with the distribution of housing benefit. The Commission has not looked in detail at the impact of local rent setting for housing benefit purposes and the affordability of rented housing, nor is the Commission aware of any relevant research in this area. Nevertheless, we have looked at the efficiency of housing benefit administration and the impact on households within rented accommodation.

55. The time taken to process housing benefit claims has reduced and currently takes an average of 35.35 days.\(^5^8\) There are currently 11 different housing benefit and council tax benefit schemes for councils to administer, with further changes proposed in April 2008 with the full roll-out of the Local Housing Allowance.\(^5^9\) The more complex the system is to administer, the longer it will take to process a claim. This adds to the risk of homelessness where delays are excessive. There is extensive evidence from the Citizens Advice Bureaux (CAB) throughout England and Wales that significant numbers of local authority and housing association tenants face possession action on grounds of rent arrears prematurely, before all other avenues to recover the arrears, have been explored.\(^6^0\)

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57 See Joseph Rowntree Foundation (JRF) report published in 2006, *Delivering Affordable Housing through S106*.
58 Median for English councils for 2004–05.
59 The 11 schemes are: Non HRA Rent Rebates; Homeless people in board and lodging accommodation; Homeless people in licensed accommodation; Homeless people in short term leased accommodation; Rent Allowances; New scheme cases; Old scheme cases; local Housing Allowance (pilot schemes); Regulated tenancies; Rent Rebates and Council Tax.
60 Possession action—the last resort? CAB evidence on court action by social landlords to recover rent arrears.
56. However, recent research reflects that while the number of court actions for rent arrears taken by social landlords rose through the late 1990s, they are now stable or falling.\textsuperscript{61} CAB evidence suggests that the main factors which cause people to fall into rent arrears are:

— sudden changes in personal circumstances such as job loss or relationship breakdown which result in a drop in income;
— delays and failures in the housing benefit system; and
— poverty and the problems of trying to manage on a low income.

57. The latest figures available (2001–02) of housing benefit take-up show a total of around 85% to 91% by caseload, and 89% to 94% by expenditure.\textsuperscript{62} There remains a significant amount of unclaimed benefit and this contributes to poverty and potential homelessness. The latest figures for council tax benefit (2001–02), which is payable to most people who receive housing benefit, show that the total amount of this benefit left unclaimed by entitled non-recipients was in the range £760 million to £1,060 million. The average number of people entitled but have not claimed was between 1.76 million and 2.34 million.

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Memorandum by the Greater London Authority (GLA) (SRH 22)

INTRODUCTION

1. The Mayor of London welcomes this inquiry by the Communities and Local Government Select Committee. It builds on important previous reviews (the Barker reports, Review of GLA Powers, Lyons, etc) and leads into current and future reviews such as the Shared Equity Task Force, the John Hills review of the purpose of social housing, and the DCLG review of the roles of its agencies, English Partnerships and the Housing Corporation.

2. Most importantly this inquiry comes as the Government is conducting a Cross Cutting Review into Supporting Housing Growth, and the 2007 Comprehensive Spending Review. It is particularly timely for London, with the recent announcement of the proposed new powers for the Mayor.

3. The inquiry’s terms of reference invite submissions on distinct topics, which are dealt with in turn below.

THE LEVEL OF PUBLIC FUNDS REQUIRED TO MEET SOCIAL HOUSING NEEDS

4. The Greater London Housing Requirements Study\textsuperscript{63} showed that there is an annual requirement for 35,400 net new homes in London. Nearly 60% of this need (20,800 units) is for social rented homes. However, provision cannot respond purely to absolute need, and targets must be realistic in terms of London’s capacity to deliver new housing and the financial viability of development.

5. For this reason the draft alterations to the London Plan’s new overall housing targets, based on the 2004 London Housing Capacity Study (LHCS), propose a new annual target of 30,650 homes. The London Plan and London Housing Strategy set a target that 50% of new housing developed in London should be affordable, of which 35% should be social rented housing and 15% should be intermediate. On this basis the new targets will be for 10,728 social rented and 4,597 intermediate homes per year.\textsuperscript{64}

TOTAL FUNDING REQUIREMENTS AND SCENARIO TESTING\textsuperscript{65}

6. Overall, it is estimated that the funding required to deliver these targets would require £1.4 billion a year—were the increase in new supply to be funded via the Regional Housing Pot (RHP) to the same proportion that it currently is.

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<tr>
<td>Funding for new supply</td>
<td>1,400</td>
<td>1,400</td>
<td>1,428</td>
<td>1,457</td>
<td>1,486</td>
<td>1,515</td>
<td>1,546</td>
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\textsuperscript{61} JRF, September 2006, *Housing and Neighbourhood Monitor*.
\textsuperscript{63} GLA, December 2004.
\textsuperscript{64} The Examination in Public on the draft alterations to the London Plan have endorsed target.
\textsuperscript{65} The figures in this section are drawn from Delivering Increased Housing Output: Technical Report for the London Plan Alterations Examination in Public, GLA, April 2006.
7. The RHP in London for the two years 2006–08 is £2,279 million. Of this £1,734 million (76%) has been allocated for the supply of new homes. Projecting this allocation forward produces the figures in table 1.2 below. The overall allocations assume zero real growth (ie 2% RPI per annum increase) on the allocation for the 2006–08 RHP.

Table 1.2

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<tr>
<td>Total RHP new supply allocation (£m)</td>
<td>1,198</td>
<td>1,222</td>
<td>1,247</td>
<td>1,271</td>
<td>1,297</td>
<td>1,323</td>
<td>1,349</td>
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8. As can be seen, there is a significant shortfall in supply to meet the new London Plan targets for affordable homes. If costs continue to increase at higher than the rate of inflation, or an increased level of planning contributions are not realised, the public subsidy cost of this programme will increase further.

9. To begin to meet the new London Plan target various factors need to be in place:
   - once the decent homes target is achieved the RHP must continue to increase as projected, with a greater focus on new supply;
   - the proportionate contribution of planning obligations to unit costs must be maintained;
   - additional s 106 and other funding must continue to support new supply;
   - there must be no increase in building costs; and
   - Housing Corporation funding must increase significantly on current projections.

10. In any case, it should be remembered that the London Plan targets are a capacity based estimate of what is possible. Achieving them in full would still not satisfy all the need for social housing identified in the Housing Requirement Study. Meeting this need would require substantial extra funding.

THE RELATIVE FUNDING PRIORITY BEING GIVEN TO SOCIAL RENTED HOUSING AS OPPOSED TO SHARED OWNERSHIP AND OTHER FORMS OF BELOW MARKET HOUSING

11. Investment in homeownership should not be at the expense of delivering more social rented housing, which is still vitally important in London. Its decline has had devastating results: almost half a million children in London live in overcrowded houses and more than 62,000 households live in temporary accommodation.

12. Intermediate housing through shared ownership and interest-free equity loans has a role to play in meeting the needs and aspirations of households on moderate incomes, and in tackling problems of affordability, recruitment and retention, particularly when it contributes to an increase in the overall supply of affordable housing, frees up social rented housing, or helps families on moderate incomes onto the housing ladder. Not all forms of intermediate housing currently meet these objectives.

13. In 2006–08, of the total Housing Corporation London allocation of £1.5 billion, £400 million will be invested in the intermediate market. This will produce 6,725 new intermediate homes, and support the purchase of 1,738 existing homes.

14. There are a number of concerns about the current focus of the investment in intermediate housing. For example, 37.5% of the Housing Corporation allocation for intermediate housing is allocated to Open Market Homebuy, enabling people to purchase existing market properties. Because of the price limits set on the use of this funding, people tend to purchase at the lower end of the price range, which may increase demand and so raise house prices. Most importantly, the use of funding in this way does not contribute to increasing the supply of new homes.

15. The current range of products ought to help free up social rented homes if existing and prospective tenants take them up. Unfortunately, this is not proving to be the case. In addition, Social Homebuy is not being taken up widely: given the lower levels of discount available it is not attractive compared with the Right to Buy.

16. In London the publicly funded intermediate rental market (properties let at approximately 20% of market levels) is still in its infancy. Because until recently it has been predominantly funded under the Key Worker Living Programme, the demand for this type of housing is still being scoped. However, there is potentially a much wider market for intermediate rental accommodation, and support should be given to develop this market further. There is a significant gap between the rents for properties in the private rented and those in the social sector that could be filled by an expanded intermediate rental sector.
THE GEOGRAPHICAL DISTRIBUTION OF SUBSIDIES FOR AFFORDABLE HOUSING

17. Since 2003 the methodology for allocating housing subsidy between regions, has changed, and is now based on the policy background to the DCLG’s PSA target regime. The Mayor welcomes this change, as the new regime ensures better join up between policy, service targets and investment.

18. The Government is currently consulting on the next round of Regional Housing Pot allocations and the indicators used to support them. The Mayor intends to use this consultation to highlight the importance of certain indicators, especially those relating to severe overcrowding, temporary accommodation and relative affordability which should be given greater weight in future.

19. The Mayor welcomes the focus of new provision in growth areas in the wider south east. A shift of investment in new provision from areas of low demand to areas of acute housing need and projected household population growth is appropriate. It is important that the four growth areas are developed as part of a broad south eastern regional strategy, which recognises and responds to pressures in London and the wider south east and that the other two regions must contribute to meeting the high levels of need in London.

THE FUTURE ROLE FOR LOCAL AUTHORITIES AS BUILDERS AND MANAGERS OF SOCIAL HOUSING

20. The Mayor believes that local authorities should be allowed to build and manage social housing if they wish to. The Right to Buy has severely eroded the stock of social housing: every one of the last 20 years has seen more social rented stock lost through the Right to Buy than has been built by local authorities and housing associations. The recent reduction in Right to Buy sales, partly related to changes in the discount and eligibility rules, is therefore very welcome. Local authorities should be empowered to reinvest all the receipts from sales to replace some of the social housing lost.

THE EFFECTIVENESS OF DIFFERENT SOCIAL HOUSING MODELS INCLUDING TRADITIONAL LOCAL AUTHORITY HOUSING, ALMOS, HOUSING CO-OPERATIVES AND HOUSING ASSOCIATIONS

21. The Mayor believes that London needs a broad range of different models for delivering and managing social housing, and is supporting the development of new models.

22. The Mayor supports the principle of greater community ownership of property assets, and is committed to developing new forms of intermediate homeownership, and new ways of utilising public assets to deliver more and better homes in sustainable communities. The GLA and London Development Agency (LDA) are piloting a mutual model for a new type of intermediate homeownership based on a Community Land Trust, which will ensure public subsidy is locked in to preserve affordability over the long term.

23. The key factor in judging the effectiveness of different models is the quality of service they provide. The Mayor therefore supports any model that can deliver high quality housing in sustainable communities, expand the range of housing available, increase tenant engagement and meet the needs of different communities.

THE ROLE AND EFFECTIVENESS OF PRIVATE RENTED HOUSING IN MEETING HOUSING NEEDS

24. With some 522,000 dwellings the private rented sector (PRS) represents a larger proportion of the housing stock in London than England as a whole (17% compared to 11%), and is now larger than London’s council sector (15%). The relative size of the PRS varies widely between different boroughs, (Havering 6.6% and Westminster 36%) with relatively low concentration in the east of London.

25. London’s PRS plays a significant role in housing a wide range of households. It is a flexible option for the mobile and economically active, it supports economic migration and as such it is vital to London’s economy. The PRS provides housing for those who do not want or cannot afford a mortgage, and most of the housing for students in higher education after their first year of study. Because of the demand for affordable housing in London and the lack of supply, the PRS provides temporary accommodation for homeless households, particularly for households with children.

26. Private rented accommodation, often shared, at the lower end of the market can sometimes provide the only option available to households earning low to medium incomes, who cannot afford to buy and are not eligible for social housing. However, average private sector rents in London are by far the highest in the country, which limits the ability of the PRS to provide accommodation for lower earners.67

27. Much of the private rented sector is of poor physical condition and quality, especially properties that are in multiple occupation.68 The PRS also has worse rates of overcrowding than the owner-occupied sector.69 Some parts of the PRS also suffer from poor management standards. Some 30% of landlords are

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66 DCLG.
67 Survey of English Housing, RICS.
68 English House Condition Survey.
69 2001 Census.
“part-time” amateur landlords, owning three or fewer properties to rent. To address this problem the GLA helped set up the London Landlord Accreditation Scheme, which operates across London to provide landlords with training and to enforce standards.

28. The Mayor would like the PRS to make as large a contribution as possible to meeting London’s needs. Any public financial support to PRS landlords (Housing Benefit payments, PSL arrangements etc) should be linked to improving standards, regulation and access.

Using the PRS to house homeless households

29. Because of the lack of affordable housing in areas of high housing demand such as London, recent government reports have emphasised the importance of using housing in the PRS as “settled homes” for homeless households. However, the PRS in London is both high-cost and insecure in comparison with social housing, and it is difficult to see how it could become the tenure of choice for low-income households. The Mayor would like the government to define what it means by “settled” accommodation.

30. Homelessness legislation provides an opportunity for local authorities to discharge their duty to a homeless household if that household voluntarily accepts a “qualifying AST” in the private rented sector, an option the DCLG is keen to promote. Where the lease on private sector leased (PSL) accommodation reaches its end, the authority could seek to negotiate with the household and landlord to continue their relationship directly, with the household accepting a qualifying offer of an AST. In doing so, the household will no longer be owed a duty to rehouse by the local authority, and will lose their additional preference when bidding through choice based letting (CBL). The DCLG is also keen that the PRS be pursued as an alternative for newly arising homeless cases.

31. There are concerns about the use of the private sector for housing statutory homeless households. Tenancies in the private sector are typically insecure and often trap people into benefit dependency due to high rents. Qualifying offers are voluntary, but given the implication such an offer has (loss of duty and diminished prospects of accessing social housing) the Mayor is concerned that vulnerable households, or those for whom English is not their first language, may be disproportionately represented among those who accept such an offer.

32. The Law Commission’s current proposals in Renting Homes would result in PRS housing becoming even less secure. At the moment, a private landlord cannot gain possession of a home they have rented out under an Assured Shorthold Tenancy (AST) for six months after commencement of the tenancy, unless the conditions of the tenancy have been breached. The Law Commission proposals would abolish this protection.

33. Pressure to convert PSL property to private sector tenancies is likely to lead to most London local authorities divesting of their stock of PSL properties as their leases end. PSLs currently offer private sector accommodation where the quality is assessed by the procuring social landlord, who also undertakes the landlord function. The use of an intermediary leasing social landlord gives access to private sector accommodation to groups (homeless households, those on benefits and potentially groups such as ex-offenders) who would otherwise struggle to access this sector. The obvious disadvantage is the high rent levels of PSL.

34. The Mayor is concerned at the loss of this temporary stock, and proposes that block grant funding be used as a means of tackling the current barrier to work this accommodation creates, and for creating a circumstance in which a qualifying offer would be more acceptable to all parties. In addition, the DCLG should investigate how a discharge of duty could be mandatory in such circumstances.

The Priorities and Effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in Responding to Housing Needs

35. The Mayor welcomes the recent announcement by the DCLG Secretary of State, Rt Hon Ruth Kelly MP, that the Mayor will be given an enhanced strategic housing and planning role, effectively taking over the responsibilities of the London Housing Board as well as responsibility for approving the use of the Housing Corporation’s share of the Regional Housing Pot. The GLA is currently drafting the new Mayor’s Housing Strategy and preparing the institutional framework for delivering the strategy once the necessary legislation has been through Parliament.

36. In recent years the Housing Corporation and English Partnerships have both made effective use of their budgets in London, and both agencies have worked effectively with the Mayor and the LDA. The Mayor welcomes the Government’s proposal to give him the responsibility for producing a Strategic Housing Investment Plan for London. This represents an opportunity to develop a co-ordinated approach to housing investment.

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70 Survey of English Housing.
37. The Strategic Housing Investment Plan will set out thematic and spatial priorities for investment and be the basis for agreeing the direction and phasing of investment among the public sector agencies to best deliver these. This will ensure that key public sector investors aligned their respective investment programmes within the policy framework set out in the London Plan, other statutory Mayoral strategies, and the forthcoming Mayor’s Housing Strategy.

38. The Mayor welcomes the DCLG’s review of the current institutional arrangements for delivering new homes, which appear at times to be overly complex and create unnecessary duplication. Any review of national arrangements for housing and regeneration should ensure that new structures and mechanisms enable further integration and co-ordination of effort in London to bring land and investment together for regeneration and housing supply, within a framework that offers clear Mayoral leadership and accountability.

39. Any new regional organisation emerging from the DCLG’s review should be answerable to the Mayor. This would help to ensure more effective co-ordination between the DCLG’s NDPBs and the LDA which is already a functional body of the GLA.

THE ROLE AND EFFECTIVENESS OF THE PLANNING SYSTEM, INCLUDING SECTION 106 AGREEMENTS IN THE PROVISION OF RENTED HOUSING AND SECURING MIXED TENURE HOUSING DEVELOPMENTS

40. Considerable effort has gone into improving the performance of local planning authorities in recent years, and although there are still problems with resourcing, staff retention and delays in some boroughs, in general the planning system in London is improving. Planning authorities have granted significant residential permissions in recent years, creating a substantial planning pipeline. This can be measured by the relationship between net additional dwellings approved and housing completions, as shown in figure 8.1.

Figure 8.1

APPROVALS AND COMPLETIONS 1987 to 2004-05

Source: GLA Housing Provision Survey 2004-05.

41. This indicates that in recent years, net additional dwellings approved are surging well ahead of completion rates. In fact, there has been a doubling of residential planning permissions since 1999, with the most significant increase being in 2004–05.

42. Permissions to completions have run at an average ratio of 1:1.29 from 1987 to 2000. However, from 2001 this started to increase rapidly and, at the end of 2004–05 this ratio stands as 1:2.29. As at March 2006, the total development pipeline of planning permissions not yet completed in London stands at 163,155 residential units, of which 59,421 are under construction.

43. On top of this overall increase in residential permissions, the introduction of the London Plan targets has encouraged local borough plans to take on tough affordable housing targets. The Mayor’s new powers to direct compliance with the London Plan will enhance this trend.
Section 106 agreements

44. In general, Section 106 planning obligations are effective in delivering affordable housing in London: nearly half of all HC funded homes built in London during 2004–05 also received some s 106 funding—up from 15% in 2001–02. Affordable housing output in London is therefore increasingly dependent on combining development value capture and public subsidy.

The effectiveness of Housing Benefit as a means of providing access to rented housing to those in need and the impact of the operation of Council Tax Benefit on the affordability of rented housing

45. London has 688,200 households receiving Housing Benefit, including 139,200 private sector tenants. This is 17% of all households—more than any other region of Great Britain. Average weekly Housing Benefit paid for private tenants in London (£134.91 in November 2005) is 1.6 times higher than the average for the rest of Britain (£83.55), while average rents in London’s private sector are three times the national average.

46. Housing Benefit therefore does not often meet the full rent paid by claimants in the PRS (research in one borough found this to be the case for three quarters of private tenants claiming Housing Benefit). Such shortfalls either restrict access to appropriate accommodation, or risk arrears and potential homelessness.

47. While the Mayor welcomes the broad aims of Housing Benefit reform, the new Local Housing Allowance has not altered the rate at which Housing Benefit is withdrawn when households enter employment. This regressive Housing Benefit taper presents a barrier to achieving the welfare to work agenda, and the elimination of child poverty in the capital. Housing Benefit may provide access to accommodation to meet housing needs, but may also exacerbate broader social exclusion by restricting gains that may be available from work and so trap households in poverty.

48. The Single Room Rent (SRR) restriction currently pays a reduced rate of Housing Benefit for single people under 25, based on shared accommodation. Since the introduction of the SRR there has been a “dramatic fall in the number of young people in deregulated private rented accommodation”. This would suggest that Housing Benefit has not been effective in providing access to appropriate housing for young people.

49. A key barrier to private sector access for those in housing need has been the performance of local authority Housing Benefit services. Considerable resources have been put into improving such services. Reform of Housing Benefit and the incremental introduction of the Local Housing Allowance may contribute to worsening performance if the transitional period is not adequately resourced to mitigate against increasing demands.

50. Many local authorities have used homelessness prevention funding and other resources to provide rent deposit schemes. Housing Benefit does not pay for deposits, or rent in advance, which can discourage landlords from taking tenants in receipt of benefit. Rent deposit schemes can overcome this barrier, but are often only accessible to those in acute need, such as non-statutory homeless people. If Housing Benefit is to provide effective access to private sector rented accommodation for broader needs groups, such as those on low incomes, those seeking move-on from hostel or supported accommodation and ex-offenders, local authorities should be resourced to expand their rent deposit schemes.

51. The issues relating to Council Tax Benefit are broadly the same as those relating to Housing Benefit, especially with regard to poverty trap effects.

Memorandum by the National Landlords Association (NLA) (SRH 23)

The Committee’s inquiry into the supply of rented housing is necessarily wide-ranging. In our response we intend to focus on the aspects which affect our members most closely: the role and effectiveness of private rented housing in meeting housing needs and the effectiveness of housing benefit as a means of providing access to rented housing to those in need.

1. Background: About the NLA

1.1 The National Landlords Association is the largest single landlords association in the country. It has members right across the United Kingdom, including five special corporate members, Birmingham Midshires, Bristol & West, Mortgage Express, Mortgage Trust and Paragon, and 40 local authorities who are associate members.

72 http://www.crisis.org.uk/policywatch/pages/commentary_on_housing_benefit_policy.html
1. The NLA protects and promotes the interests of private landlords of residential property and represents their views to government, local authorities and the media. The NLA seeks a fair legislative and regulatory environment for the private-rented sector while aiming to ensure that landlords are aware of their statutory rights and responsibilities. It campaigns to raise standards in the private-rented sector whilst fostering a professional and amicable relationship between landlord and tenant.

1.3 We deplore, and do what we can to dispel, the notion of the “get-rich-quick” phenomenon of speculative investment. The NLA believes that property investment is a long term proposition which must be managed properly and that private landlords must make themselves aware of the regulatory and commercial environment in which they operate. We offer our members the services they need to achieve this via, for example, our advice line (which is available to members every day of the working week) and bi-monthly magazines.

2. THE ROLE AND EFFECTIVENESS OF PRIVATE RENTED HOUSING IN MEETING HOUSING NEEDS

2.1 What is the role of the private rented sector in meeting housing needs?

2.1.1 The private rented sector offers a vital supply of housing which complements the role of social housing and owner-occupation. Private rented stock varies from houses and flats at the top of the market to houses in multiple occupation rented to students and housing benefit tenants.

2.1.2 The flexible nature of private tenure makes it ideal for accommodating people for whom property ownership is not an option at the moment but who do not want or need a long-term social tenancy. Private renting is used by young professional people and students: people who cannot afford to buy (or whose lifestyles do not suit home ownership) although they may aspire to do so in the future.

2.1.3 Probably the most significant contribution that the private rented sector makes is to labour mobility in this country. This is an essential contribution that has been recognised by ministers.

2.1.4 The sector provides homes for people visiting or staying in this country whose homes are elsewhere, from international business workers and their families to migrant workers from Eastern Europe and elsewhere.

2.1.5 In addition, the growth of a flexible private rental market has enabled UK workers to move across the country for work while maintaining a home for their family elsewhere. If they make the long-term decision to move to another area for work the flexibility of the sector enables them to sell their home and rent in the new locality for the short-term, getting to know the neighbourhood and buying once they are confident of the area they wish to live in.

2.1.6 At the same time as providing an alternative to home ownership, the private rented sector can also complement the accommodation that is on offer through the social housing sector. For several years privately rented housing has been used as temporary accommodation for those people which the local authority has a duty to house. Its role is now spreading beyond this. Local authorities are already entering into long-term leasing arrangements with private landlords under which the local authority will have exclusive use of a property for a period (usually up to five years) in order to place their suitable tenants.

2.1.7 The growth of choice-based lettings schemes offers another route for greater involvement of the private rented sector in housing certain tenants who local authorities have a duty to house. We recognise that the private rented sector is not suitable for all housing applicants. Many local authority tenants will have support needs that are better addressed with a long-term social sector tenancy. However, for those who are capable of sustaining a tenancy in the private sector this may offer a better route than a long wait for a social tenancy. Local authorities, especially in areas of high demand, are taking measures to support the use of the private rented sector to house their tenants via the provision of rental deposits, rent guarantee schemes and other support packages for landlords and tenants so that tenancies can be sustained.

2.1.8 Although the private rented sector does not offer the security of tenure of the social sector, it is not the case that tenants are inevitably evicted at the end of the initial six month tenancy. Provided that a tenant pays the rent and causes no damage to the property or nuisance to neighbours a landlord will continue to house them. The average tenancy is estimated to last around 18 months in the private rented sector and most tenancies are ended by the tenant moving elsewhere because of changes in their lifestyle. The private rented sector can provide the flexibility for tenants on housing lists who may not want or need to stay in one area for the long term. Some local authorities are also attempting to ensure longer tenure by offering generous packages to landlords who are prepared to grant guaranteed longer tenancies.

2.1.9 The Government, in its enthusiasm for the extension of choice-based lettings schemes, has recognised the role that the private rented sector has to play in offering housing for housing list applicants and in its latest invitation for bids for Choice Based Lettings scheme it has made clear that it wishes to see initiatives which actively involve the private rented sector.

2.1.10 We have concerns about the operation of the housing benefit system which may impede efforts to involve the private rented sector in the growth of choice-based lettings. These concerns are outlined towards the end of this response in our comments on the effectiveness of Housing Benefit as a means of providing...
access to rented housing to those in need. In particular the move towards Local Housing Allowance, paid
direct to the tenant with no scope to change this arrangement, risks making this sector unattractive to private
landlords.

2.1.11 If the private rented sector is to participate successfully in choice-based letting schemes it is
important that landlords are supported and given reasonable information about potential tenants’ tenancy
history. Housing providers in the social sector will share information about potential tenants particularly
about their previous tenancies and whether antisocial behaviour has been a problem. This information must
also be available to private landlords housing candidates on the housing list. Private landlords are unlikely
to be encouraged to work with Choice Based Letting schemes if such schemes are perceived as a means of
decanting bad tenants out of the social sector. This will particularly be the case if the private landlord incurs
financial losses and damage to their property and reputation as a result.

2.2 The impact of the private rented sector on the overall availability of housing

2.2.1 There have been allegations that the activities of private landlords in local housing markets affect
the availability of properties for homeowners, particularly first time buyers. The Committee heard
references to such fears in its earlier evidence sessions and these are mentioned in its report “Affordability
and the Supply of Housing”.

2.2.2 We believe that there is little evidence that private landlords’ investment decisions are responsible
for pricing out first time buyers. We believe that the private rented sector is too small to have such influence.
The Survey of English Housing shows that the size of the private rented sector has remained relatively static
at around 10–12% of households (18% in London) since 1981 while the owner-occupied sector has grown
by nearly 30% over the same period to 71% of households.

2.2.3 We believe that there are too many other reasons for properties to be unaffordable to first-time
buyers, many of which will have been heard by the committee during its first enquiry. In brief it is a problem
resulting from young professionals incurring greater debts as students, demographic factors causing greater
demand such as the increased trend for people to live alone (and living longer), immigration, and the reduced
size of the social housing sector. At the same time the low number of new houses being built combines with
the level of second home ownership in desirable neighbourhoods to lever up prices. (On this point it is worth
noting that once a private landlord has bought a property it will be used to house somebody rather than
being left empty when not in use by the owner, or rented out as holiday accommodation.)

2.2.4 Finally, despite the growth of developments of flats marketed at the buy-to-let investor, many
landlords will be looking to buy larger properties and are therefore not in direct competition with first-time
buyers. On this point it is also important to recognise the role of landlords in bringing sub-standard
properties back into use. Private landlords and investors will buy properties that require work to bring them
up to standard, will spend time and money on doing that work to a high standard (including going through
all the necessary planning procedures, building regulations etc) and will sell on at a deserved profit because
they have increased the value of the property by their own work.

2.2.5 It is unlikely that many first-time buyers will have the resources, experience, contacts or patience
to be able to improve these properties. Furthermore if the property is a large one the landlord may decide
to sub-divide it into flats which can then be sold on to first time buyers or rented, thus increasing the supply
of housing. Private landlords have a vital role to play in bringing otherwise neglected properties back into use.

2.3 Affordability of the private rented sector

2.3.1 A common complaint about the private rented sector concerns the rents that are charged. The
Government’s figures\(^{73}\) show that the average weekly rent in the private sector is £117 compared to £54 for
council tenants and £68 for tenants of registered social landlords. Given the wide variation in the size, type
and location of private rented accommodation we do not believe this to be an unreasonable figure.

2.3.2 The reality is that rents are dictated by the market. Potential tenants will be deterred by property
which is at too high a rent in comparison to similar properties in the neighbourhood. The landlord will be
left with an empty property which presents a problem of significant extra costs from maintenance and
marketing but generates no income. It is true that private rents are higher than those in the social sector (in
part because generous subsidies are available to RSLs and local housing authorities) but within the private
sector the rents in a neighbourhood will be broadly similar for similar types of properties.

2.3.3 Rent capping led to the decline of the private rented sector both in terms of size and quality and
would do so again if it were introduced. It still exists in a minority of tenancies in the sector (6% of tenancies
are regulated tenancies)\(^{74}\) and presents significant problems where it exists.

\(^{73}\) Survey of English Housing Live Tables 2003–04.
\(^{74}\) Survey of English Housing Live Tables, 2004–05 Department for Communities and Local Government.
2.3.4 It presents problems for the tenants in that the rent does not cover the landlord’s costs. Regulated tenancies are nearly 20 years old or more (the Housing Act 1988 brought them to an end). The capped rents do not cover the cost of maintenance of the property, let alone improvement. And since it is older tenants who will be in these tenancies some of the people most in need of decent housing are living in properties where the landlord does not have the money to provide it.

2.3.5 If there is any form of rent capping in place it will increase the difficulty for landlords in funding maintenance and improvements via loans or mortgages secured on the properties. Lenders are highly unlikely to offer money on a property with a sitting tenant and declining rental income.

2.3.6 Rent capping would simply cause the private rented sector to decline in both quality and quantity. Existing landlords would sell up and potential investors would never be able to get into the market because the buy-to-let mortgage providers would be certain to pull out of the market.

2.3.7 It would have an adverse effect on homelessness figures as potential private tenants would swell the housing lists at the same time as less private housing would be available to share the demands placed on the social sector.

2.3.8 It is worth noting that in Northern Ireland rent capping still exists for new tenancies and the Executive (or Northern Ireland department) is currently taking steps to end it for precisely the reasons that are outlined above.

2.3.9 The Committee should note that the tenant currently does have the right, within the first six months of a tenancy, to apply to a rent assessment committee to determine the maximum rent that the landlord should be charging for the property. The committee cannot set a level beneath the market rent but if the current rent is excessive it can be brought down to a more reasonable level. The decision remains in force for 12 months.

2.4 Quality of the housing stock

2.4.1 There has been a tremendous improvement in the quality of private rented accommodation on offer over the past 10 years. For the first time since at least 1996 a majority of private rented properties (52%) meet the Decent Homes Standard. This may be only a narrow majority but it is a 15% increase in decent homes in the private rented sector since 1996, only 2% behind the social sector over the same period at 17%.

2.4.2 The Government’s Decent Homes Target for the private rented sector is by 2010 to have increased the proportion of private housing in decent condition occupied by vulnerable groups. The Government’s own figures show that there has already been a significant improvement over the past 10 years. 50% of vulnerable households in the private rented sector now live in decent homes. This is an improvement of nearly 100% since 1996 when only 28% of vulnerable households in the sector lived in decent homes.

2.4.3 The improvement in the quality of private rented housing is due to a number of factors but chief among them is the introduction of the Assured Shorthold Tenancy as the main tenancy type in 1996. The shorter tenancies have given landlords the necessary periods of time to improve their properties and has provided the incentive for improvement: poor quality properties will remain empty for longer as potential tenants walk away, costing the landlord money. The AST has also given landlords the resources (via market rents) to fund improvements.

2.4.4 The flexibility of the AST has also attracted back to the sector professional investors who want to manage properties properly and offer good quality accommodation. It is worth noting that in surveys 79% of private sector tenants say they are satisfied with their landlord and only 10% are dissatisfied. 71% are happy with the way the landlord carries out repairs and maintenance.

2.4.5 Various measures are already in hand to continue to secure improvement in the sector. The growing use of accreditation schemes enables local authorities to recognise the work of responsible landlords who choose to become accredited. Accreditation and the use of landlords forums enable local authorities to engage with responsible landlords to keep them abreast of the regulatory environment in which they operate and provide financial assistance to make improvements to their properties.

2.4.6 Landlords associations have a vital role to play in providing their members with the information and support that they need to manage their properties properly. Five of the biggest buy-to-let mortgage providers recognise this fact which is why they are special corporate members of the National Landlords Association and why they strongly encourage their borrowers to take up membership themselves. We believe that landlords who are operating outside the existing associations and acting alone, should be offered every incentive and encouragement to join a professional landlords association.

2.4.7 In addition to these voluntary measures, the private rented sector is very highly regulated. In our view regulation should be used only as a last resort because it catches the reputable landlord, leaving the rogue operators to continue as before. In the long term we believe that the solution is for the industry to be self-regulating with a single representative body which could be the source of advice for Government on the

75 Source: English House Condition Survey 2003.
impact of further intended legislation on the sector. Over 50 Acts of Parliament and over 70 regulations govern the private rented sector. This morass of legislation needs to be codified—a recommendation made by the Law Commission which we support.

2.4.8 The most recent major piece of legislation was the Housing Act 2004 which introduced in particular, licensing of certain Houses in Multiple Occupation, a new housing fitness assessment regime (HHSRS) and tenancy deposit protection. The former two aspects came into force in April this year while tenancy deposit protection is due to come into force in April 2007.

2.4.9 We have concerns about certain aspects of HMO licensing. The fee levels that are being charged by local authorities vary widely with some charging next to nothing while others are charging up to £1,500 for a five year licence. We can see that a cap on fees might have encouraged local authorities to charge to the maximum cap, regardless of their actual costs. However, the Government could have worked more closely with local authorities to ensure that greater transparency of the fee levels being charged.

2.4.10 It is early days in the application of HMO licensing but it is important that local authorities are flexible in the way that they consider the treatment of HMOs. For the first time houses which are shared on a joint tenancy are being brought within the definition of an HMO but the needs of these properties and their tenants will be different to standard “bedsit” HMOs and this needs to be reflected in their treatment by local authorities. For example, while we recognise the importance of fire safety, we believe it is inappropriate for the same fire safety standards to be applied in houses where the tenants are living together as a group and where statistics show the fire risk to be only slightly greater than a family house. Local authorities also need to be flexible about the location of amenities such as kitchens and bathrooms within such properties. If they are not flexible then they will lose the low-cost accommodation as landlords sell up or let their shared houses as family homes instead, removing the need to comply with HMO legislation.

2.4.11 We believe that local authorities should not be imposing higher standards than they would apply to their own properties or properties belonging to RSLs. In order to gain an HMO licence the property has to have suitable amenities for the number of tenants it is used to house. The Government’s national minimum amenity standards have specified that for properties with five or more tenants a wash-handbasin should be provided in each room. We believe that this is unrealistic and unreasonable to provide in all HMOs. In a house shared by a group of friends on a joint tenancy this provision is unnecessary: provided that a satisfactory number of basins are available in or near other washing facilities the tenants will not have a problem in sharing them. In these circumstances the requirement to provide a washbasin in each room will give additional unnecessary cost as well as the increased risk of water damage in the longer term as plumbing problems develop.

2.4.12 One of the next major regulatory developments in the future will be the introduction of Energy Performance Certificates which is due to take place in 2007. These will form part of the Home Information Pack for all property which is sold in the UK but a certificate will also be required for all property which is rented out. We are working with the bodies involved in the development of these certificates. Traditionally, it has been very difficult for a landlord to promote the energy efficiency of a property: the information has simply not been available to the landlord (who does not pay the fuel bills) and it has not been a key area of interest to potential tenants.

2.4.13 We have worked closely with the Energy Efficiency Partnership for Homes and the Treasury on the development of tax incentives for landlords to improve the energy efficiency of their properties. This work continues in progress. A significant problem is the need to raise awareness among landlords of the tax incentives which are available to them and how to claim them. Provided that this problem is addressed we are confident that the tax incentives, together with the Energy Certificates, will encourage the improvement of energy efficiency in the sector. The energy efficiency certificates will include recommendations for measures that could be installed to improve efficiency. We do not want to see the certificates used to require measures to be installed, especially if this requirement was targeted at private landlords alone.

2.4.14 We have concerns about the more general tax situation for private landlords. We recognise that taxation anomalies exist (for example with regard to Capital Gains Tax) and need to be addressed. However, this is a very complex subject and we believe any consideration of the taxation situation should take place in the context of a proper economic assessment.

3. Effectiveness of Housing Benefit as a Means of Providing Access to Rented Housing to Those in Need

3.1 The effectiveness of housing benefit is an issue of key concern to our members. In a survey carried out in December 2005, 13% said that said that local authority administration of housing benefit was a cause of concern to them.

3.2 57% of all those surveyed said that they would not be prepared to let to housing benefit tenants. 46% of this group had let to housing benefit tenants in the past and were therefore answering from experience.
3.3 Nearly 44% of those who were not prepared to let to housing benefit tenants gave as a reason the risk of rent arrears as a result of local authority maladministration. Of those who had let to housing benefit tenants in the past and were not prepared to do so again 47% had faced problems with local authority maladministration of benefits.

3.4 Even among those who were prepared to consider letting to housing benefit tenants again 41% of the group had faced problems with local authority administration.

3.5 Housing Benefit administration must be improved, especially if the private rented sector is to be included successfully in choice-based letting schemes. Many of those accessing the private rented sector from CBL schemes are likely to be in receipt of housing benefit. If landlords are to continue offering their properties through CBL schemes there must be clear support for the benefits applications of tenants accepted through the schemes. Delays in payment or other problems will damage trust in how the scheme is run.

3.6 Our members also have deep concerns about the Welfare Reform Bill. Under this legislation it is proposed that housing benefit in the private rented sector will be replaced by Local Housing Allowance. This will normally be paid direct to the tenant, based on local average rents and with the recipient able to keep up to £15 a week where their rent is lower than the LHA payment. This differs from the current housing benefit system where payments are normally made direct to the landlord, the benefit payment is specific to the property and the payments can only be used to cover rent. The Government intends that paying LHA to tenants will encourage financial responsibility and give them greater choice. LHA has been trialled in 18 Pathfinders around the country starting in 2003.

3.7 Local Housing Allowance paid direct to the tenant will remove the security of steady rent for the landlord and will make housing benefit tenants an increasingly unattractive option. Most tenants at present are happy to have their housing benefit paid direct to their landlord, since this ensures their rent is always paid.

3.8 From the same survey of our members carried out in December 2005, 55% of those who were not currently prepared to let to housing benefit tenants gave as a reason rent arrears owing to the tenant not paying rent. Of those who had let to housing benefit tenants in the past, 46% of them had experienced rent arrears owing to the tenant not paying.

3.9 38% of those who had let to benefit tenants before and would be prepared to again had experienced rent arrears because the tenant had not paid rent. 58% of those who had let to benefit tenants before and would not be prepared to again had experienced rent arrears because the tenant had not paid rent.

3.10 Under certain circumstances LHA will still be payable direct to the landlord. A tenant will have to be declared as “vulnerable” but this declaration will be the choice of the local authority and will involve a doctor and other agencies.

3.11 The overwhelming message from our members is that unless they are sure of receiving the rent by receiving the benefit direct they will not be prepared to let to benefit tenants. Mortgage providers may also look poorly on housing benefit recipients—some lenders already refuse to mortgage properties used for housing benefit tenants and this condition may be increasingly used.

3.12 The introduction of LHA is also likely to worsen the administration of benefits. Councils will have to set up parallel arrangements for LHA and housing benefit in the social rented sector. Furthermore, putting the responsibility on the tenant to manage their finances also puts the responsibility on them to negotiate their way through the complex bureaucratic maze which causes the delays in payment. With the landlord removed from the benefit arrangements an important safeguard against fraud is also eliminated.

3.13 The NLA has also joined with a range of campaigning organisation such as Shelter and the Citizens Advice Bureau to call for an end to the Single Room Rate (SRR). This limits the Housing Benefit of those aged under 25, restricting their access to accommodation and often leading to shortfalls between the benefit paid and the market rent. The Welfare Reform Bill and the transition to LHA provides a good opportunity to end SRR for the benefit of both landlords and tenants.

3.14 In order for the supply of private rented stock not to dry up to housing benefit tenants we believe it is essential that tenants should continue to have the right to request that their benefits be paid direct to their landlord. At the very least, there should be a national definition of “vulnerability” to ensure that landlords know that certain tenants will automatically be given the right to have the rent paid directly to the landlord.

3.15 Consideration must be given to how landlords can better be protected from tenants who wilfully and without reasonable excuse fail to pass on their LHA by paying rent to their landlord. Finally, the levels of support for the scheme seen in the Pathfinders should be continued when the scheme is rolled out nationally.
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Memorandum by Paragon Group of Companies PLC (SRH 24)

**Summary**

1. Paragon welcomes the opportunity to submit evidence to the Communities and Local Government Select Committee’s inquiry into the supply of rented housing. This is a timely inquiry given the ongoing implementation of the Barker Review and the reorganisation of the Department for Communities and Local Government (DCLG).

2. Paragon is one of the UK’s largest providers of Prime buy-to-let (BTL) mortgages to professional and investor landlords. We are the UK’s largest lender to professional landlords and the third largest BTL lender with a 10% market share. We launched our first specifically targeted buy-to-let mortgages in 1995 and since then have increasingly specialised in this market. We are leading members of the Council of Mortgage Lenders and have played a central role in its BTL working group. These leading roles in the market and within our industry body have given us significant market and policy experience since our foundation in 1985.

3. The key points of our submission are:
   - The private rented sector (PRS) has undergone considerable change and modernisation over the last 20 years. It has bridged the gap between social renting and owner-occupation and now provides a genuine alternative to home ownership.
   - Demographic trends such as rising student numbers, increased inward migration to the UK and demand for housing flexibility from young professionals have served to drive up the level of demand for private rented accommodation.
   - BTL investment has played a key role in broadening opportunities to rent privately and, by increasing competition within the private rented sector, has helped to widen choice and drive up standards in the sector.
   - BTL has improved the quality of the PRS stock. According to the DCLG’s English House Condition Survey 2004, since 1996 the percentage of non-decent homes that are privately rented has decreased by 31%.
   - The comparatively low default rates of BTL borrowers and their long-term commitment to the PRS has been a stabilising influence on the wider housing market.
   - BTL has not led the change in housing but has merely responded to the changing demographic needs of society.
   - The role of the PRS in responding to housing demand should be protected and encouraged by Government and given more weight within its broader housing policy.

**Overview**

4. The UK population is growing faster than previously expected and housing needs are changing. The Barker Review estimated a need for 177,000 new dwellings in England per annum to 2011. The trend is towards smaller housing units and people settling down later. This can be attributed to a number of factors including partnerships later in life, people living longer, access to higher education broadening and greater inward migration (in particular from the EU).

5. In the context of these demographic changes, the PRS has assumed an important role within the housing market. Over the last decade, it has made a major contribution to housing and regeneration in the UK and has experienced sustained growth. This has worked to the mutual benefit of local communities, landlords and financial institutions, playing a valuable role in the delivery of wider government policy.

6. The Housing Act 1988, which introduced the Assured Shorthold Tenancy, made the relationship between landlords and tenants more balanced and the housing market more flexible. The movement away from rent controls made landlords more willing to invest in rental stock. As a result, greater supply side elasticity was injected into the PRS, leading to more choice in the type and value of rented property. As such, the PRS became a viable alternative for many potential tenants.
7. As a result of these changes in housing regulation, the PRS became better equipped to fill the gap between owning and social renting. This was crucial in light of the significant decline in local authority housing stock since the 1980s, brought about in large part by the introduction of Right to Buy. The PRS expanded rapidly in the early 1990s and has continued to grow since then, albeit at a more modest rate. There has been a further growth period over the last five years due to recent demographic changes.

8. The PRS today consists of 2.7 million dwellings in the UK or 10% of the total housing stock. Of this total, 2.4 million are in England, representing 12% of the English housing stock. The sector has grown by over 10% in the last ten years and, according to the Centre for Economics and Business Research, is forecast to grow by a further 40% over the coming 10 years.
9. Recent growth in the PRS has been underpinned by sustained BTL investment. Suggestions that this investment is an unsustainable and passing fad are based on an inaccurate belief that residential property investment is a new, speculative business. "Buy-to-let" as a term was coined in 1996 as part of an initiative launched by the Association of Residential Letting Agents (ARLA), but investment in private rented property was taking place long before then through commercial mortgages and regular residential mortgages.

10. The Council of Mortgage Lenders only started collecting statistics on BTL in 1997 and some commentators have interpreted the growth in BTL lending, as reported by the CML, as evidence of a boom. However, the CML only measures the growth in new specialist lenders in the market—such as Paragon. The core back book of loans to residential property investors by mainstream lenders are omitted from the statistics. As much as 40% of BTL lending activity is remortgaging, as established landlords move from expensive commercial mortgages.

11. Despite the recent growth of the BTL market, the PRS remains predominantly under-gearied with mortgage debt representing only around one fifth of the total value of the PRS.\(^77\)

**Sources of Tenant Demand**

12. Media commentary on BTL investment and the PRS is often misinformed by a perception that landlords are simply buying up increasing numbers of properties to rent. Actual demand for rented property from new tenants is rarely discussed. In our experience, the growth in the private rented sector is being driven by societal change, not just house price increases, and it is sustained tenant demand that is driving the investment activity of BTL landlords.

13. Demand for private rented accommodation tends to emanate from a number of key sub-sections of society. In Paragon’s experience, tenants typically come from groups such as students, mobile professionals, the “Friends” generation (twenty-somethings between home and owner-occupation) and immigrants. The PRS also plays an important role in meeting social housing needs.

**Students**

14. Government has expressed a desire for 50% of school-leavers at the age of 18 to go into higher education. The figure currently stands at 41%. The growing student population is leading to increasing demand for rented property. Widening access to university also means that many more people are entering the labour market later, often with considerable student debt. In the 2005 Barclays’ Student Survey, student debt increased by 380% in the last 10 years. It is commonplace for graduates to spend many years building their finances to the point where they can afford to buy their first property. This trend has also increased demand for rented property.

**Mobile professionals**

15. The average age of first-time buyers is now 34. Until people are ready to purchase their first property, many find accommodation in the PRS. The sector plays a particularly important role in offering young professionals flexibility in their employment choices. Without ties to a property, younger people are more mobile and able to respond to an increasingly flexible labour market. A rigid housing market with high levels of owner-occupation in the UK has traditionally been one of the key factors limiting labour mobility.

**The “Friends” generation**

16. Whilst the price of property has contributed to the decline in the number of first time buyers, it is not the only reason for people putting off buying their first homes. Many people in their twenties are choosing to settle down later in life, opting to live with friends instead. This trend is not new; there is evidence to suggest that it has been developing over recent generations. The CML, for example, note that the trend towards later entry into the housing market for first time buyers can be traced back to the housing slump of the late 1980s/early 1990s.\(^78\) Home ownership aspirations for the under 25s fell from 79% in 1993 to 37% by 2003, as they delay marriage and children and demand flexibility and increased mobility.

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\(^77\) *Buy to Let, The Revolution—10 Years On*, Prof Michael Ball, University of Reading, September 2006.

\(^78\) *CML Housing Finance*, Issue 09, September 2006.
Immigration

17. The growth in immigration is probably having the greatest impact on demand for private rented accommodation. Data from the Home Office shows that immigration into the UK in 2005 was at record levels, with almost 600,000 people coming to live in the UK from elsewhere in the world in 2004. Many new entrants are Eastern European economic migrants. Over 420,000 immigrants from EU accession states had their applications to the Worker Registration Scheme approved between May 2004 and June 2006. The Government Actuary’s Department estimates that the average annual net immigration in coming years will be 145,000 people per year.

18. Immigrants do not usually have funds to buy a home or qualify for social housing, so almost all will seek homes in the private rented sector. The evidence is that most will stay there. Research from the Council of Mortgage Lenders shows only 20% of immigrants become homeowners within five years of entering the UK. This means demand from immigrants could boost the private rented sector by 55,000 homes every year.

Housing Benefit

19. Whilst the key sources of demand for privately rented accommodation are, in our experience, those groups outlined above, there is also clear evidence that a broader range of housing needs are being served by the PRS. Housing statistics issued by the ODPM in December 2005 point to a significant role for the sector in meeting social housing needs. They show that in 2003-04, 434,000 private renters were in receipt of Housing Benefit—this represents 22% of all private renters.79

20. Landlords tend to work within a tight geographical area, allowing them to understand trends and needs in particular areas and invest in properties to meet identified tenant demand. With local authorities unable to expand social housing and limited funding for housing associations, we would urge the Government to examine how the PRS could be engaged more closely in meeting local social housing need.

Role of BTL in Improving the PRS

21. BTL has created a flexible base of investors who are able to respond effectively to tenant demand. Many of these individuals are investing in high quality property and letting directly or through agencies. The very process of BTL lending encourages an improvement in the pool of landlords and private rented housing. BTL lenders carry out well-controlled risk profiling of potential borrowers, and property valuation surveys prevent landlords from borrowing to invest in poor quality property. Furthermore, robust pre-loan checks on borrowers minimise the scope for criminals to engage with the private rented sector.

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22. A higher level of professionalism has been brought to the PRS by BTL. Survey data suggests that a large proportion of private rented stock is owned by established professional or private investor landlords. CML data on BTL borrower profiles suggests that the average residential landlord has six years experience and owns 7 rented properties. The typical Paragon borrower has 11 years of experience and owns 12 properties. Government statistics show that while 55% of landlords own 3% of private rented stock, 12% of landlords own 75% of PRS stock.

OWNERSHIP OF PRS STOCK BY LANDLORDS

Source: DCLG Survey/Paragon

23. CML and Paragon data suggests that residential landlords are committed to the private rental market for the long-term, with the average landlord expecting to be involved for 15 years. ARLA’s 2006:Q2 survey identified that landlords expected to be involved for 16 years. This contradicts the image often portrayed of BTL investors as largely short-term and speculative investors.

24. New investment in the PRS facilitated by the advent of formal BTL loans has increased competition and choice in the sector. This in turn encourages landlords to maintain and improve the standards of their accommodation and treat their tenants appropriately. BTL investment has helped to provide private rented accommodation where other forms of tenure have failed. This has reduced pressure on Government to meet specific housing needs directly.

25. Market-wide surveys suggest that the growth in BTL is in fact having a positive impact on the wider housing market by helping to create a more flexible PRS that offers greater choice to tenants at more competitive costs. Furthermore, research suggests that BTL is helping to drive up standards in rental stock.80 These benefits are supportive of the Government’s core ambitions for the housing market.

26. Studies also suggest that BTL is likely to become an increasingly stabilising part of the market as it continues to develop. A CML survey of the profile and intentions of BTL investors found that landlords were increasingly committed to the PRS for the long-term and would remain in the sector even if house prices fell.81 ARLA’s 2006:Q2 survey said 87% would hold even if house prices fall. More recent research points to the fact that BTL mortgage default rates are considerably lower than in the owner-occupied sector, and that the wider opportunities to privately rent brought about by BTL investment mean that people who would otherwise be forced prematurely towards home ownership—and be severely financially stretched as a consequence—now have greater scope to purchase a home later in life.82

80 *Buy to Let, The Revolution—10 Years On*, Prof Michael Ball, University of Reading, September 2006.
81 *The Profile and Intentions of buy-to-let investors*, CML Research (Kathleen Scandon with Christine Whitehead, LSE), March 2005.
82 *Buy to Let, The Revolution—10 Years On*, Prof Michael Ball, University of Reading, September 2006.
POLICY CONCERNS

27. The majority of landlords, and certainly those that are customers of Paragon, adhere to the high standards that the Government wants to encourage throughout the PRS, and it is crucial that they are given the freedom to continue fulfilling their key functions within the housing market. The PRS is already very heavily regulated. The National Landlords Association estimates that there are around fifty Acts of Parliament and seventy separate sets of regulations affecting the letting of private residential property. A considerable amount of new regulation is being applied to the PRS under the Housing Act 2004 which could threaten the continued vibrancy of the sector.

28. Mandatory licensing of Houses in Multiple Occupation (HMOs) by Local Authorities was introduced in April 2006 and Local Authorities have also been given powers to selectively license all kinds of privately rented accommodation in areas suffering low housing demand or anti-social behaviour. The Government is currently finalising details of a new tenancy deposit regime which will apply to all assured shorthold tenancy agreements and intends to launch the scheme on 6 April 2007. These changes are presenting the landlord community with some major challenges, not least in terms of the new costs and administrative burdens associated with regulatory compliance.

29. The Government must ensure that the ability of the PRS to respond to housing demand in an efficient and flexible manner is not compromised by recent and impending reforms of the regulation of the sector. It is important that the interests of both landlords and tenants are fairly reflected in the new regulatory framework and that demands placed on individual landlords or their letting agents are proportionate to the Government’s policy aims.

30. Furthermore, where Local Authorities have been given new powers to regulate the PRS—for example, in respect of HMO and selective licensing—these must be implemented consistently across local jurisdictions to avoid skewing local housing markets. Tenants will undoubtedly benefit from the regulatory changes being implemented, but Government should restrict any further interventions to those areas where it is absolutely justified.

31. It is also crucial that Government policy towards the PRS is informed by high quality research and statistics, and an accurate understanding of the BTL sector and its role within the PRS. Central Government, Local Authorities, and other bodies involved in the development of housing policy must not, for example, confuse the distinction between property investment clubs (PICs) and BTL lenders. The products offered by each are in fact very different.

32. PICs encourage potential investors to pay large sums as subscriptions for access to new build or off-plan properties at “discount” prices; the focus is the prospect of re-selling to make short-term profits. Mainstream buy-to-let lenders, in contrast, focus on the long-term investment potential of private rented property. Their products are not aimed at investors who want to make a quick buck. Indeed, CML data suggests that only 5–10% of lenders’ buy-to-let loans are secured on new-build property, and even less than this on flats. This distinction between the two products should be borne in mind by housing policymakers to ensure that the BTL sector is not damaged by policies aimed at the activities of PICs.

CONCLUSION

33. Home ownership does not suit the lifestyles or meet the needs of everyone at every point in their life, and many people now choose to rent. The modern PRS represents a genuine alternative tenure to home ownership and social renting for many households. It meets the housing needs of a number of significant population groups including students, immigrants, and young professionals, and also provides accommodation for a significant number of people in receipt of Housing Benefit. It is therefore vital that the Government pays due attention to the PRS alongside its efforts to boost home ownership through shared ownership initiatives.

34. BTL investment has increased competition and choice within the PRS, helping to raise the standards of private rented accommodation and broaden its availability. Landlords have been able to meet sustained demand for rented accommodation from a wide range of sub-sections of the population, and policymakers should consider how they can be harnessed to assist with the provision of housing need, both private and social, within mixed communities in the future.

35. There is a risk that the growing weight of regulation being applied to the PRS will discourage landlords from investing further or remaining in the sector. It is vital that a genuinely joined up approach to regulation is adopted by Central Government and other agencies responsible for overseeing the sector. The regulatory framework should be proportionate and, where administered by Local Authorities, consistently applied. Further regulation of landlords and their properties should be restricted to areas where it is absolutely justified. Only then will the important social and economic benefits that currently flow from the PRS be maintained.

84 CML calls for vigilance on property investment clubs, CML, 20 June 2005.
Memorandum by National HMO Lobby (SRH 25)

1. The National HMO Lobby is a network of 45 community groups in 30 towns throughout the UK, campaigning on housing issues since 2000. Its concern is specifically with HMOs (houses in multiple occupation), and especially with addressing the problems these can pose for local communities. To this end, while its members campaign locally, the Lobby itself campaigns nationally. We have made representations on the Housing Green Paper Quality & Choice (DETR, 2000), Modernising the Private Rented Sector (Shelter Commission, 2001), Selective Licensing of Private Landlords (DTLR, 2001), Use Classes Order (DTLR, 2002), Draft Housing Bill (Commons Select Committee, 2003), Planning Policy Statement 1, Creating Sustainable Communities (Minister for Planning, 2004), the Housing Act itself (representations, 2004), The Implementation of HMO Licensing (ODPM, 2005), Housing Quality & Choice (ODPM, 2005), Affordable & the Supply of Housing (Commons Select Committee, 2005) and so on. We have held meetings with successive Housing Ministers (Nick Raynsford 2001, Lord Falconer 2002, Keith Hill 2004), and our lobbying was instrumental in initiating Universities UK’s report on Studentification (2006). [For information on the Lobby and its lobbying, visit our website at <http://hmolobby.org.uk/index.htm>]

2. The National HMO Lobby wishes to respond to two queries in particular in the inquiry into the Supply of Rented Housing by the Select Committee for Communities and Local Government, namely: The role and effectiveness of private rented housing in meeting housing needs and the role and effectiveness of the planning system in the provision of rented housing and securing mixed tenure housing developments. In particular, the Lobby wishes to sound a note of caution regarding the role of private renting in housing supply. In many cases, this type of tenure is actually detrimental to housing supply; it can also be damaging to the sustainability of communities; and amendment of the planning system is essential to address these negative effects.

3. First of all, much private renting is actually used as second homes. When there is a housing shortage, the existing stock should be used as justly as possible. To our mind it seems little short of criminal that there are people who are homeless, families who are overcrowded, households anxious to establish their own homes—when others enjoy the luxury of not only a secure home, but also an additional second home which they can also enjoy at their whim. Second homes take a variety of forms. Best known, of course, is the town-dweller who buys a country cottage as an occasional weekend or holiday retreat. But a recent report has drawn attention to student second homes also, where parents buy a house in a university town for use by their children in term-time [reverse holiday-homes]. “Around 83,000 homes were bought on behalf of students by last year, a 26% increase since 2000, according to the study by finance firm Direct Line. The number of houses occupied by students was predicted to reach 100,000 by the year 2010. The so-called ‘studentification’ by Universities UK itself (for instance, in their report Studentification, 2006). In this second aspect, then, private renting can be detrimental.

4. Secondly, the impact of private renting can often be damaging to the sustainability of communities. The Department for Communities’ website provides working definitions of “sustainable community”, based on eight elements: active; inclusive and safe; well run; environmentally sensitive; well-designed and built; well-connected; thriving; well-served; and fair for everyone. The Lobby endorses all these, all are necessary to sustaining a community. However, neither separately nor indeed collectively are they sufficient. Above all, a community rests on its population base, and it is that population which makes the community harmonious, or the environment green, or the neighbourhood attractive, and so on. What this means is that a sustainable community is absolutely dependent on a population base which is both willing and able to do these things. Lacking this base, no amount of external intervention will achieve any of the necessary elements. Now, a transient or a seasonal population lacks either the ability or the will (or both) to sustain a community. Seasonality and/or transience mean part-time residents—who inevitably lack the commitment and/or the capacity to work for the community’s sustainability. (Indeed, their very presence erodes community itself.) But seasonality and transience are precisely what is inflicted on communities by privately rented second homes. In small proportions, the impact may be modest. But such private renting is often attracted to honey-pot locations—either attractive rural or coastal locations (for holiday-homes), or university towns (for student-houses). The upshot is that concentrations of private renting arise, with deeply damaging effects on communities. In the case of university towns, this phenomenon has been labelled “studentification” by Universities UK itself (for instance, in their report Studentification, 2006). In this second aspect, then, private renting can be detrimental.
5. One measure would contribute at least part of an answer to these issues concerning both permanent homes and sustainable communities. The measure centres on the role of HMOs. On the one hand, a significant proportion of second homes (no longer available as permanent homes) are student houses. Virtually all of these are shared houses, and therefore fall within the definition of HMO newly provided by the Housing Act 2004. On the other hand, a significant factor in transience (undermining sustainable communities) is the private rented sector. Turnover of occupants is highest in this housing sector (the average tenancy is 18 months), and it is highest of all in HMOs. They have their uses for short-term accommodation, but very few would care to reside for long in a HMO. The new Housing Act provides for licensing of HMOs (mandatory licensing of larger and less safe HMOs, potential additional licensing of others), but these controls are in the interest of the welfare of the tenants. They are concerned with quality, not quantity. But it is quantities which need to be managed, if houses are not to be lost as permanent homes, and if sustainable communities are not to be lost to transience. Proliferation of HMOs is a matter of planning (not housing) control. But no controls are available in English planning legislation. The relevant Statutory Instrument is the Use Classes Order (specifically the Town and Country Planning (Use Classes) Order 1987 [SI 1987 764]). But HMOs are not identified there as a distinct usage, and so there is no planning control of HMOs. As part of an answer to achieving decent homes and sustainable communities, the National HMO Lobby proposes revision of the Use Classes Order, such that: (a) a common definition of HMO is adopted in both housing and planning legislation; and (b) change of use to HMO becomes subject to planning permission. (Both these steps have been taken in Northern Ireland’s Planning [Use Classes] Order [Northern Ireland] 2004 [Statutory Rule 2004 458].) Such revision would enable local authorities to control proliferations of privately rented HMOs, to ameliorate the detrimental use of private renting, and thereby preserve part of the housing supply.

Memorandum from The British Land Company PLC (SRH 26)

ENCOURAGING THE PRIVATE RENTED SECTOR

AN INSTITUTIONAL PERSPECTIVE

EXECUTIVE SUMMARY

The Private Rented Sector (PRS) is generally fragmented, introspective and alienated from the public housing sector. A larger institutional element, in the form of major private and public property companies and banks, investing in residential stock to let, could dramatically improve housing quantity and quality. A PRS which was well regarded and active would provide better standards of tenant service and greater collaboration with Registered Social Landlords. A well managed PRS would be beneficial to the economy and provide a diversified financial product returning a combination of house price growth and net income. This would be of significant benefit to individuals and institutions with the widest range of investment budgets. For the individual this would help to create a disconnect between the need always to purchase a property and the ability to benefit from house price growth.

There is currently significant interest in large-scale institutional investment in the residential market. However, in order to encourage the PRS, a number of challenges for institutions investing in residential property need to be addressed. Fiscal incentives and a reduction in regulation in certain areas are required. Institutions within the sector also need to work together to address the image problem of the PRS so that, with their longer term and larger scale perspective, they can encourage environmental sustainability and the development of communities.

It is possible that institutional residential investors could form an independent, self-regulating body to tackle the above issues. The fiscal incentives and regulation reductions suggested herein would provide both a “stick” and a “carrot” to members, removing the administrative burden on central government and local authorities. These benefits could be available to members, with the body internally monitoring to agreed standards and enforcing a well publicised tenants’ charter. The body would have a variety of remedies for non-compliance of members, with persistent offenders having the significant stick of the removal of the fiscal incentives and reintroduction into the normal regulatory framework.

The appropriate body should have standards of membership and proof of compliance, in return for the benefits set out herein. However, expensive, time-consuming or administratively onerous regulation could be unpopular, particularly in the context of a significant period of time where little legislation since the Housing Act 1988 has provided an encouragement to large-scale institutional investment. This can be avoided by close consultation with the industry, in particular via a body such as the British Property Federation (BPF), whose efforts to encourage the private rented sector we wholeheartedly endorse.

British Land is Europe’s largest quoted property company measured by assets. It invests in modern commercial properties principally in the London Office and Retail Sectors. The portfolio is valued at £19.4 billion of which £15.2 billion is directly owned. Over the last 5 years, British Land has acquired a portfolio
of residential units. In February 2006 British Land transferred the 1,500 houses and flats in this portfolio to Insight Investment, for approximately £300 million. British Land remains significantly involved in the asset management of the portfolio.

1. The Opportunity

1.1 For Government

1.1.1 Addressing the housing short-fall: There is currently a need for a step change in the provision of appropriate housing stock. At the same time there is significant interest in institutional investment in the residential sector. Encouragement of the PRS could help to address the shortfall between the required output identified in the Barker Report and current levels of housing output.

1.1.2 There is no reason why this sector of the market should not be profitable for institutions if the restraints detailed herein are removed. Given the availability of funds for this asset class, this could lead to a significant change in the rate of delivery of housing stock.

1.1.3 A well managed PRS would help to support some of the more vulnerable people in society; those caught between the home-owning and the state-supported sectors. It is estimated that 47% of rental demand from the PRS comes from this “intermediate” market. By investment in indirect residential property investment vehicles (as set out in 1.1.5–1.1.7 below) or by the provision of shared ownership schemes, many would have a greater chance of a home of their own.

1.1.4 Furthermore, a PRS building stock for long-term investment would increase the quality of housing delivered. The focus during the development process would shift from being turnover-based to the creation of long-term communities and sustainable homes which generate long-term, as well as short-term, profit.

1.1.5 Strengthening the economy: The widespread growth of investment products that allow small capital sums to be invested in a vehicle which tracks or outperforms the House Price Index (HPI) would revolutionise the way we look at what, for most people, is their most valuable asset: their home.

1.1.6 By investing homeowner’s equity in a diversified fund, rather than directly in a single property, the decision on where to locate, in many circumstances, could then be based on use value rather than investment value. Disconnecting the need for a property purchase from the ability to invest in house price growth could develop mobility of labour, lead to a more diversified investment base for most individuals, and encourage increasing professionalism within the residential industry.

1.1.7 In the sector of the market where people have some equity but not enough to purchase, in one stroke this would remove the rift between those who have the ability to benefit from house price growth and those who do not. Many who presently feel they have “missed the boat” of the housing market would be given a new chance.

1.1.8 Raising Standards by greater PRS and RSL collaboration: At present there is little collaboration between the PRS and RSLs (Registered Social Landlords), although this is increasing. By working more closely together the PRS and RSLs could enhance standards of long-term tenant care and environmental performance. By working together the PRS and RSLs could develop houses more profitably and more accurately meet local needs, and develop the long-term income streams from shared ownership that could be attractive to both institutions and stakeholders.

1.1.9 A joined-up approach to development would encourage viable, mixed communities from development inception, within the context of long-term joint investment and management. Issues such as security and long-term management could be designed in within all areas of a scheme, as could ways to facilitate property management and reduce social tensions.

1.1.10 A Comparison with Buy-to-Let: At present buy-to-let forms the majority of the PRS. However, most individual investors have an undiversified investment product and are vulnerable to local market fluctuations, general economic downturn and the impact of one bad tenant. Although some buy-to-let investors offer a good service, many lack professional expertise. Therefore the volatility of this sector is destabilising to both an individual’s finances and the wider housing market, particularly in specific areas such as city centres.

1.1.11 As many perceive capital gains slowing over the next few years, recent entrants to the buy-to-let market with high levels of gearing could encounter difficulties. It is also more challenging for local authorities to enforce environmental, best practice and condition standards within a market composed of a large number of small landlords.

1.1.12 Larger institutions can more easily redirect proportions of investment, diversify investment between higher numbers of units in a variety of locations and may find it easier to hold stock for the long-term over short-term difficult periods. An institutional investment sector would enhance standards of best practice, and enforcement of standards is easier as the number of residential investors reduces.
1.2 For Institutions

1.2.1 Demand for the product: There is increased demand for HPI-based investment products from both individuals and institutions. This is due to both a growing recognition of the long-term investment characteristics of residential property, which has a high correlation with RPI, and its value in comparison to alternative investment products. Institutions are looking to diversify commercial property portfolios and residential may, in the future, provide a viable alternative.

1.2.2 Ability to manage properly: There are increasing numbers of residential management specialists which leads to greater confidence in the ability to properly manage large numbers of residential units. This has been facilitated by both the development of high quality property management software and the improvement of the quality of staff and education in the residential sector. This is a key requirement for institutional investors.

1.2.3 Informed investment decisions: In recent years there has been a significant increase in research information in the sector. This allows more informed investment decisions. In addition, on the measurement of performance, the provision of both the Residential IPD benchmark and various other capital growth indicators, allow investors to track performance and monitor different elements of the portfolio. With increased data and analysis at their disposal, institutions can move towards de-risking investment decisions, thus increasing the probability of success.

2. The Challenge for the Institutions

2.1 Despite the high levels of interest, there is currently reluctance by many institutions to invest in residential property on a larger scale, due to difficulties in two main areas: management inefficiencies and fiscal restraints.

2.2 Management Issues: Residential property investment suffers from high management costs due to the large number of small units; a problem exacerbated by increased regulation. The example of the variety of approaches to enforcing the Houses in Multiple Occupation (HMO) legislation by different local authorities has significant implications for large portfolios with units spread on a nationwide basis. High profile investors take their reputation as landlords very seriously and although the need for careful monitoring of HMO stock is very much recognised, the current approach by local authorities is unstructured, inefficient for any large-scale investor, and often fails to catch the true culprits.

2.3 Another example would be the difficulty in renting accommodation to housing benefit tenants. Here, delays in the application process and the payment of rent in arrears rather than advance, like the rest of the market, acts as a disincentive to landlords to provide accommodation to those in this sector.

2.4 In addition to regulatory challenges, holding residential property is expensive. Void costs need to be accepted, ongoing maintenance obligations need to be met, reactive repairs need to be completed quickly and management costs are high. Most residential investors accept between a 30% to 40% discount to the gross rent they receive on these costs. This is a significant disincentive to many potential institutional investors.

2.5 Support Large Scale Investment: Institutional investors have the ability to support large-scale projects and with this ability comes a greater responsibility to encourage community-wide initiatives. In particular, one of the greatest determinants of success in investing for the long-term in family housing is the quality of local education. Institutions understand that investment which understands the inter-relationship between education and housing can bring significant, long-term economic, as well as social, benefits.

2.6 Fiscal Issues: The issues stated above are exacerbated by an uncompromising fiscal regime. VAT is payable on most costs and losses are difficult to offset.

2.7 Furthermore, for institutional investors, there is a tax inequality on purchase costs when they pay stamp duty on the aggregate of the units purchased, rather than the purchase price of individual units normally paid by an individual buy-to-let investor. This leads to difficulties in buying blocks, which are an easier product to manage well as a single entity.

3. Institutional Self Regulation

3.1 A possible way forward

3.1.1 A self-regulating body: If the opportunity for both Government and institutions is acknowledged, and the current difficulties causing institutional reluctance to enter this market agreed, a new approach is likely to be needed. Consideration should be given to the creation of an independent, self-regulating body to represent institutional landlords and enforce standards. This would be paid for and set up by the industry and accountable to Government for ensuring agreed standards are met.

3.1.2 How the self-regulating body might work: There are various self-accreditation schemes for landlords currently available and these are often set up on a local or regional basis. Some schemes are voluntary, and with the compulsory schemes a major problem is often enforcement. In our opinion the key to effective enforcement is the strength of the stick and carrot within the set up. It is the proposal of this
paper to provide a strong set of incentives to institutional investors to encourage membership and ensure standards are adhered to. The threat of removal of these incentives would give significant teeth to those enforcing the standards, and remove the burden of enforcement from local authorities.

3.1.3 In practice, membership of the body would obligate an institution or corporate investor to ensure tenants are provided with clear standards of tenant care and an available course of action for landlord non-performance. If an inadequate response was received after an opportunity for the institution to remedy, a formal notice to remedy would be provided by the regulator and further noncompliance would lead to the removal of benefits. The regulator could assess if any complaint was fair and reasonable. The regulator could also enforce standards where non-performance may not be highlighted by tenant complaint.

3.2 What the Institutions could offer: A proposed minimum standard for membership of the self-regulating body is set out below

3.2.1 A minimum standard for property condition. A commitment to an agreed standard of property condition could raise the general standard of rented accommodation. With the help of zero stamp duty in certain areas, the PRS could also assist regeneration and encourage communities by improving the condition of poor quality areas. It is in the interests of private landlords, particularly high profile institutional landlords, to maintain property condition and, with greater ability to purchase blocks, the overall quality of an area and a community can be improved.

3.2.2 A minimum standard for management. This would include a commitment to provide 24 hour help lines available to all tenants, a service smaller buy to let investors are often not able to provide. In addition to a clarification of tenants’ rights under the membership of the regulatory body there could also be a commitment to provide a clear explanation of all documents and tenants’ rights at the commencement of the tenancy, something that is often lacking in private renting.

3.2.3 A centralised fund: A contribution towards a centralised fund to publicise standards and raise the profile of the private institutional sector. This would help address the concern of Government of the reputation risk of supporting the institutional residential sector. The body would develop a strong brand, with the equivalent of a kite mark, of benefit to both the members in terms of adding value, and to Government in that the body would have a strong incentive to keep the reputation of the brand untarnished.

3.2.4 Self assessment: At present a raft of measures require assessment and enforcement by Government at the local level. Additionally the burden of proof of compliance causes significant inefficiencies to holders of large numbers of residential property, whist rarely accurately targeting those who do not comply.

3.2.5 It is proposed that the responsibility of proof of compliance in a number of areas is transferred to the regulatory body. These areas would include adherence to HIP standards on environmental efficiency, tenant deposit schemes, risk assessments using the Housing Health and Safety Ratings System and compliance with Empty Dwelling Management Orders. Furthermore institutional landlords would be able to provide an additional commitment to not hold units vacant, ensuring full use of the available housing, reducing the problem of investors holding vacant units for long periods of time purely for capital growth.

3.2.6 Encouragement in shared ownership: Self assessment could work for both institutions and the shared ownership stakeholders. For the institutions shared ownership should provide a higher net income as management is reduced, voids are eradicated and the maintenance cost is shared with the tenant and reduced due to the ownership by the tenant of a stake.

3.2.7 The incentives set out below could direct significant funds to this area, with diversified elements of shared ownership forming a significant proportion of institutions funds, but current structures are problematic. However, small units of shared ownership are illiquid and inflexible and therefore investment in this area can only come on a scale that the institutions (and a small number of high net worth individuals) can provide. At present, the structures often found in the shared ownership market make this unattractive to institutions and Government incentives need to be stronger and provide long-term certainty.

3.3 The stick and carrot

3.3.1 Fiscal Incentives: The fiscal incentives required by the institutions are well covered elsewhere, in particular in the BPF document “Letting in the Future”. These could include VAT mitigation on residential expenditure, roll-over relief from capital gains, removal of CGT on buy-to-let investors selling to kite-marked institutions, the use of the Landlord Energy Savings Allowance for mitigation of corporation (rather than just income) tax and the reduction of stamp duty to be based on average value of units purchased, rather than on aggregate value.

3.3.2 In addition, further specific tax incentives for shared ownership could be agreed, as well as the possibility that blocks in certain areas for long-term rent could be stamp duty exempt, or free of COT on disposal.
3.3.3 Regulation Reduction: It is proposed that agreed areas of regulatory burden are identified and internally assessed by the body to appropriate standards. This would need to be with an understanding that, from an institutional perspective, many of these requirements are second nature and therefore areas of over-regulation should be reduced.

4. Conclusion

4.1 Summary: This paper sets out both the advantages to Government and institutions of a resurgent private rental sector. The interest from the institutions exists, but needs to be directed and encouraged. This paper attempts to identify the barriers to greater institutional involvement and summarises these in two key areas: fiscal disadvantage and regulatory overburden. It is possible that a self-regulating body for institutions investing large-scale in residential property and benefiting from decreased regulation and fiscal changes, could provide the appropriate encouragement. This would encourage institutional involvement in the sector at the same time as reducing the burden of regulation on local authorities.

4.2 However, if the body suggested above was over-administered, this body could be wholly unsuccessful. Under this scenario the relevant legislation would merely act as a further restraint on investment and reduce the likelihood of increased development of good quality housing from this sector of the market. This could, however, be avoided by a close dialogue with current relevant industry regulators, which should include the BPF.

4.3 A well regulated, thriving institutional market, could develop and encourage housing stock on a significant scale and provide a useful financial product that utilises the likelihood of returning future house price growth for both institutions and individuals. The potential of such a product has far-reaching implications for the economy and individuals. The proposal in this paper sets out a framework whereby this could be encouraged and appropriately regulated.

Memorandum by the Commission for Rural Communities (CRC) (SRH 27)

Introduction

1. This paper outlines the CRC’s views in respect of the supply of social and private rented housing, specifically in the rural context.

The Commission for Rural Communities

2. The Commission for Rural Communities was established in March 2005, initially as an operating division of the Countryside Agency. From 1 October 2006 the Commission was formally established as a statutory independent body.

3. The Commission provides independent advice to government and others and works to ensure that policies reflect the real needs of people living and working in rural England, with a particular focus on tackling disadvantage.

4. We have three key functions:
   - Rural advocate: the voice for rural people, businesses and communities.
   - Expert adviser: giving objective advice to government and others.
   - Independent watchdog: monitoring and reporting on the delivery of policies.

5. Access to suitable and affordable housing is a critical issue facing many people living and working in rural areas. Raising understanding of the issues involved and identifying possible solutions is a high priority for us and social housing, specifically social rented housing, has an important role to play, along with other tenure options such as low cost home ownership and private rented accommodation. We consider that a wide range of “products” should be offered which can be tailored to meet particular circumstances, offering more choice—and less stigma—and made up of different combinations of public, private and community resources. It will be the task of local planning and housing authorities to identify needs within rural communities and facilitate appropriate solutions.

6. We welcomed the creation of the Government’s Affordable Rural Housing Commission (ARHC), and endorsed the overwhelming majority of the recommendations detailed in the final report that was published in May this year. The CRC submitted detailed evidence to the Commission and some of our evidence to this inquiry draws directly from this evidence.

7. Rural housing stocks are dominated by owner-occupiers and compared to urban areas social rented homes make up a far smaller proportion of the whole housing stock available. For example, in those settlements defined as less sparse villages (using the rural definitions developed by the Countryside Agency, Defra and ONS) 10.3% of households live in social rented homes, compared to 21.1% in less sparse urban
areas. Within rural areas, the smaller settlements tend to have lower levels still of socially rented housing, when compared with market towns,\textsuperscript{85} for example providing homes to 4.9% of households in less sparse hamlets and dispersed dwellings, compared to 14.5% in less sparse town and fringe areas.

**Level of Public Funding Required to Meet Social Housing Needs**

8. Current levels of Social Housing Grant, together with cross-subsidies from planning agreements with developers of private market housing, are insufficient to meet rural needs for affordable housing to rent and to enable low cost home ownership.

9. We believe that there needs to be a significant increase in the funds available for rural affordable housing. Whilst much of this will need to come from the public sector in some way, we also consider that mechanisms to increase the potential contribution from private financial sources need to be thoroughly explored.

10. The ARHC identified a declining level of local authority resources being used for new affordable homes, together with levels of Housing Corporation funding for rural areas below their per capita share. It recommended that funding for rural affordable housing should be increased to reflect levels of need. They also recommended that over the “next few years”, 11,000 units of affordable housing of all kinds, should be delivered each year in settlements with populations of under 10,000. This figure was reached by estimating the rural proportion of the total amount of social housing needed in the Barker Review, plus a rural cut of the Government’s planned low cost homeownership delivery programme.

11. In comparison, following our own research\textsuperscript{86} the CRC is calling for between 14,000 to 19,000 affordable homes in rural areas per year to meet newly arising need.\textsuperscript{85} This shows need at significantly higher levels than previously thought, suggesting public funding will need to be increased significantly to meet growing demand.

12. We therefore welcome the Governments increased funding for new affordable housing in rural areas through the Housing Corporation’s National Affordable Housing Programme to enable 2,303 new affordable homes in villages under 3,000 population. However, from both the ARHC’s calculations and our own on the number of households currently in housing need, this is still insufficient. The ARHC have called for levels of funding going to rural settlements to be, at a minimum, proportionate to their share of the country’s population with 13% going to settlements of less than 3,000 and 7% to settlements of between 3,000 to 10,000.

13. But at the same time, as reliable figures for the numbers of households in housing need in rural areas are published, the stock of social housing in rural areas is declining further. New homes built through the Housing Corporation’s rural programme are not keeping pace, with losses to the social housing stock through the Right To Buy and, to a lesser extent, the Right To Acquire.

14. Since 1979, in significantly rural or predominantly rural authorities, 484,000 local authority homes have been sold through Right To Buy. Even in recent years, when the annual numbers of homes sold have reduced, the numbers of affordable homes being sold in rural areas are greater than those being built. Although there are safeguards in the legislation for designated rural areas, to allow for buy-back, once a house is lost to the social rented sector in this way it is often impossible in practice for it to be brought back into it. This is because of the typically high house prices in most rural areas and insufficient levels of social housing grant available to enable buy-back by a registered social landlord. We welcome the Housing Corporation prioritising grant funding for buy-back under their rural programme for all grant funded properties provided in small settlements of under 3,000 population and we will be interested to see how many of these properties have been successfully brought back into affordable housing use.

15. A pressing issue is that this decline in social housing stock has been accompanied by continued high levels of rural homelessness. In 2004–05, 3.8% per 1,000 households in rural areas were accepted as homeless and in priority need. In England the national figure was 5.6% per 1,000 households and for urban areas this figure stood at 6.8%. Considering the lack of availability of housing stock and tenure types in rural areas, it is clear this could be contributing to the relatively high homelessness figures in rural communities, when compared to urban and national figures.

16. Most rural communities, particularly in the more attractive and accessible areas, are characterised by inaccessible housing markets, with low household incomes and expensive housing markets. Our own research\textsuperscript{85} suggests that, overall, 45% of newly forming households in rural England are unable to access their local housing market. This can also be illustrated by ratios of house prices to incomes. Our State of the Countryside Report 2006\textsuperscript{86} used lower quartile house prices and lower quartile household incomes to show the challenges faced by new households attempting to break into the housing market. The report concluded that “with the notable exception of London and high-demand urban markets, such as Cambridge and Oxford, it is clear it is the rural areas of England where houses are least affordable” and that “the greatest affordability gaps are generally found further from the cities and larger towns, where house prices hold up but incomes fall away”.


\textsuperscript{86} Commission for Rural Communities (2006) “Calculating housing needs in rural England”
17. While therefore it is right for policy to support the legitimate aspirations of home ownership, through for example, the recently introduced HomeBuy scheme, we would like to see more resources directed towards social rented housing to address homelessness and meet the needs of low income families who might never have the necessary funds to get a foot on the housing ladder. Even the resale value of shared ownership schemes, in areas of high market value, are becoming increasingly out of reach for low to medium income households.

18. Although there is some evidence that young people are gaining more access to capital in order to enter the housing market (for example with support from parents), the continued rise in property prices in rural areas is leaving very substantial numbers of potential local house buyers without any hope of so doing—even with support from the Government’s homebuy schemes.

**PRIVATE RENTING AND HOUSING BENEFIT**

19. Due to high levels of owner occupation, private rented accommodation plays a significant role in rural communities and in particular, the smallest rural settlements. For instance, in sparse hamlets and isolated dwellings 18.7% of households live in private rented accommodation, compared to 13% in sparse villages and 11.8% in sparse urban areas. As in urban areas private rented accommodation provides accommodation for those unable to enter into property ownership and who do not qualify for social housing; particularly for young people private renting often provides the only housing option.

20. Although the private rented stock is proportionally larger in rural areas, issues of condition of the stock, security of tenure and affordability prevent many households from entering the sector. In particular, young people tend to be effectively excluded from the private rented sector in rural areas. A significant factor is the effect of the Single Room Rent housing benefit restriction. In many rural areas shared houses and bed-sitter accommodation are extremely rare. Where they do exist rent levels tend to be higher than the Single Room Rent entitlement in any given area. A survey by Centrepoint of its rural youth homelessness network in 2002 found that the changes to Single Room Rent in 2001 had made little difference to young people in rural areas.

21. Also, particularly in areas where there is a buoyant tourism sector, the demand for private rental accommodation has an inflationary effect on rent levels. Landlords in these areas are in a position to be selective about whom they choose for tenants and many are simply not interested in renting to young people on benefits.

22. Therefore, while the private rented sector has a part to play there are inherent difficulties attached to it. Not least is the question of affordability and security of tenure. Private rent levels are subject to the same inflationary market forces as house prices. As with home ownership many households are increasingly likely to be priced out of the market. This can only serve to underline the need for increased investment in social housing to rent, particularly those rural areas of high value.

**GEOGRAPHICAL DISTRIBUTION OF SUBSIDIES FOR AFFORDABLE HOUSING**

23. Regional Housing and Regional Spatial Strategies should not only reflect the specific needs of rural areas, but also deliver the necessary resources to meet those needs. But their main focus tends to be on urban renaissance, with the result that rural areas generally come low down in the hierarchy for development. Allocations for rural housing therefore fall short. Regional strategies need to be adequately rural proofed and need to translate into equitable outcomes for rural areas.

24. One of the ARHC’s recommendations called for a more positive approach to planning, as encompassed in the draft Planning Policy Statement 3: Housing. We hope the new PPS3, to be published this autumn, will confirm the Government’s view for Regional Spatial Strategies and for planning authorities (including National Park Authorities) to be more positive about allocating housing (affordable and market) in rural areas. We also welcome the attempts by Government to increase the effectiveness of investment by ensuring regional housing and planning policies are properly aligned by inviting the Regional Assemblies to take responsibility for the work of the Regional Housing Boards. It is important that the supply of social rented housing in rural areas is taken up at a regional level within the Regional Housing and Planning strategies.

**THE ROLE AND THE EFFECTIVENESS OF THE PLANNING SYSTEM; PLANNING POLICIES AND STRATEGIES**

25. In our recommendations to the ARHC we argued that rural planning policies needed to be developed which are more positive, flexible and sensitive to social, economic and environmental considerations.

26. The Government’s response to the Barker Report, together with the draft PPS3, point to a more positive approach to allocating housing in rural areas to meet both the growth needs of these areas and the need for affordable housing.

27. As stated above, we welcome the attempt by Government to increase the effectiveness of planning and housing at regional level by aligning housing and planning policies under the umbrella of the Regional Assemblies. This approach must be “rural proofed” to meet the needs of rural communities and adopted
and expressed through Regional Spatial Strategies and Local Development Frameworks. For example, we would encourage regional strategies to re-introduce the rural target in their strategies to incorporate social rented housing provision and low cost home ownership.

28. In order to deliver more social rented housing in rural areas we also recommended to the ARHC that stronger agreements with developers are required, with mixed packages of market and social housing, in order to meet a wider range of housing needs and demands. There is a need to set lower site thresholds (than the indicative minimum threshold of 15) above which affordable housing can be sought, where viable. In addition, higher proportions of affordable housing (than the rest of the plan area) should be insisted upon, where deliverable.

CONCLUSION

29. There is clear evidence of a need to increase the supply of social rented housing within rural communities and, by doing so, to provide tenure options that are affordable and secure for households on low and even medium incomes.

30. As the gap between house prices and income levels continues to rise, the need for rented social housing, as an alternative form of tenure to open market housing and low cost home ownership, will increase. Within rural areas the stock of rented social housing has decreased dramatically through the Right to Buy, with housing associations unable to replenish stock at the rate of loss.

31. Although this submission is primarily around the provision of social rented housing in rural areas, there is also a role that private rented accommodation can play. However, the very elements of private renting that attract individuals to purchase properties as a buy to let investment, (ie market rents and short hold tenancies), do not make this a suitable option for many residents within rural communities who are looking for secure accommodation at affordable rents related to their earning power.

32. We are currently undertaking further research on rural housing needs, including levels of affordability (and the scale of the “intermediate market”), the motivation and effects of migration by young people from rural areas, and also on access to capital.

Memorandum by Westminster City Council and CityWest Homes (SRH 28)

SUMMARY OF KEY ISSUES AND RECOMMENDATIONS

— Public funding may have been increasing at national and regional levels, but we have not seen the results at the local level in Westminster where demand for social housing significantly exceeds supply. In the face of increasing demand, levels of funding have been declining.

— The cessation of Local Authority Social Housing Grant and the move to sub-regional allocation of development funding have had dramatic consequences. The annual development programme in Westminster has fallen from 500 new units to less than 100 in the past five years.

— The housing supply and homelessness agendas do not seem to be working in tandem, causing inefficiencies and potential conflict between local responsibility for homelessness on the one hand, and an increasing regional and sub-regional responsibility for supply on the other.

— Mechanisms are needed to ensure that new housing supply in the Growth Areas around London is accessible to people from across London.

— Funding needs to be re-directed to central London’s existing communities where opportunities for increasing the supply of new homes do exist.

— The ALMO model has proved very effective in Westminster in improving the quality of homes and services to residents. Further success could be delivered through additional flexibility being granted to:
  — Borrow outside HRA constraints.
  — Use full rental income to provide services.
  — Build new social and intermediate housing.
  — Deliver management services on behalf of others.

— The private rented sector is very large in Westminster, but only a small proportion of it is accessible to those reliant on Housing Benefit. Partnerships with landlords are bearing fruit, but substantial incentives and guarantees are required to attract landlords to the market.

— The private rented sector provides a legitimate housing option for many homeless households, however many view the rights attached to a social tenancy as far superior. A change in homelessness legislation is required so that an offer of a private tenancy can be considered appropriate settled accommodation.
1. **Introduction**

1.1 Westminster City Council welcomes the opportunity to provide evidence to this Select Committee Inquiry. Rented housing—in both the social and private sectors—plays an extremely important role in the central London housing market of which Westminster is part. It is, in fact, the dominant form of tenure in Westminster. Ensuring an adequate supply of such accommodation is critical to the Council’s ability to meet a range of housing needs and we have a wealth of experience and expertise to bring to the national debate.

1.2 Demand for affordable rented housing significantly exceeds supply in Westminster. Over 5,000 households are on the waiting list and in priority need for social housing. Many are homeless and living in long-term temporary accommodation, or are living in severely overcrowded conditions. Yet we are facing a decline in resources for new affordable housing in Westminster. As recently as five years ago we built some 500 new social homes with our housing association partners, but this financial year we will build less than 100 new units.

1.3 The City Council recently invited an independent group of experts to investigate a range of housing issues in Westminster, including the supply of both social and private rented accommodation. The report of the Westminster Housing Commission was launched on 13 September 2006. A number of the Commission’s recommendations will be particularly pertinent to this Inquiry and these have been incorporated within the City Council’s submission below.

1.4 Through this submission we aim to highlight some of the issues regarding rented housing here in central London, and the challenges we, as a local authority, face in terms of ensuring a range of affordable and appropriate accommodation is available for Westminster residents. We also propose ideas that the Government should consider implementing in order to address many of the issues raised.

2. **Rented Housing in Westminster**

2.1 As mentioned above, the majority of households in Westminster live in rented accommodation. This makes Westminster’s housing market quite unusual, when compared with many other parts of the country. Comparisons from the 2001 Census are shown in Figure 1 below.

2.2 Approximately 35% of Westminster’s residents live in private rented accommodation; and a further 29% live in social rented housing. The private rented sector is growing, both in terms of absolute numbers and as a proportion of the total residential stock. The stock of social rented housing has remained relatively stable since the early 1990s, with new build RSL schemes replacing City Council units acquired under the Right to Buy.

*Figure 1*

**HOUSEHOLDS BY TENURE, 2001**

Source: Census, 2001
2.3 In Westminster, the two rented sectors accommodate quite different types of households. While a small proportion of private rented units are at the lower end of the market, the sector is predominantly very expensive, and part of the global, rather than local, housing market. Average rents for two-bedroom properties exceed £400 per week. Single person households account for half of all private tenants, and childless couples account for a further 20%. Less than 20% of households in the sector are families with children.

2.4 The social rented sector—some 24,000 dwellings—is owned by the City Council and Housing Associations in equal measure. Demand for this stock far exceeds supply. Over 5,000 households are on the waiting list, 3,000 of them currently living in temporary accommodation. 22% of households in social housing are families with children. Average rents for a two-bedroom property are circa £90 per week.

3. Supply of Social Rented Housing

The level of public funding required to meet social housing needs

3.1 Put quite simply, the level of public funding available to meet Westminster’s demand for social housing is far too low. While public funding may have been increasing at national and regional levels, we have not seen the results of this at the local level in Westminster where demand for social housing significantly exceeds supply.

3.2 As Figure 2 below shows, we have actually seen declining levels of public funding for social housing in Westminster, and a consequent reduction in the number of new units we are able to produce. Demand for these units, however, has continued to rise.

Figure 2

INVESTMENT IN SOCIAL RENTED HOUSING, 2000–01 to 2007–08

<table>
<thead>
<tr>
<th>Year</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000/01</td>
<td>511 units</td>
</tr>
<tr>
<td>2001/02</td>
<td>271 units</td>
</tr>
<tr>
<td>2002/03</td>
<td>274 units</td>
</tr>
<tr>
<td>2003/04</td>
<td>180 units</td>
</tr>
<tr>
<td>2004/05</td>
<td>107.5 units (average)</td>
</tr>
<tr>
<td>2005/06</td>
<td>107.5 units (average)</td>
</tr>
<tr>
<td>2006/07</td>
<td>60.5 units (average)</td>
</tr>
<tr>
<td>2007/08</td>
<td>60.5 units</td>
</tr>
</tbody>
</table>

NB—allocations for 2004–06, and 2006–08 have been averaged over the two years in each allocation period.

3.3 Two major changes to the funding regime in recent years have combined to bring this situation about. Firstly, the abolition of Local Authority Social Housing Grant and, secondly, the move to sub-regional allocation of affordable housing funds.

3.4 Local Authority Social Housing Grant (LASHG) was utilised very successfully to develop affordable housing in Westminster. In 2000–01, at the height of our use of LASHG, we were able to develop over 500 units in Westminster. With its withdrawal in early 2003, combined with the move to deliver investment through the sub-regions, we have been unable to sustain anywhere near this level of activity. In 2004–05, our total programme was down to just 150 new units. When LASHG was withdrawn, the Government promised a replacement scheme would be instituted but, as yet, we have seen nothing in its place.
3.5 Westminster used LASHG for a number of purposes to supplement the traditional funding programmes, including:

- purchase and repair of three-bedroom properties in Westminster and other boroughs;
- topping up Housing Corporation grant on schemes that required extra subsidy to make them work financially and the Council considered to be value for money; and
- affordable housing schemes that came to light outside the strict deadlines for Housing Corporation bidding rounds.

3.6 There were very few restrictions placed on what LASHG could be used for and it was this flexibility that was a great strength, particularly in an area like Westminster. The removal of LASHG from our suite of funding options has greatly reduced the flexibility we had to respond to particular housing needs in Westminster. It has, for example, totally removed our ability to procure individual units or schemes, on an ad-hoc basis, as the opportunity arises.

3.7 The Housing Corporation’s sub-regions have been formed to join boroughs with more limited land opportunities with those that have greater scope for development, in the hope that pooled resources will generate greater development opportunities for all boroughs while also enabling mobility for residents. Westminster is in the North London sub-region, along with Barnet, Camden, Enfield, Haringey and Islington.

3.8 For the 2006–08 allocation period the North London sub-region has been allocated £262 million towards delivering approximately 2,500 rented units. Westminster’s individual allocation is £13 million for 121 rented units. We are now three years into the new approach, but the benefits of such partnership working are yet to be seen on the ground. To date, only 16 units of new rented supply have been made available to Westminster residents.

3.9 In Westminster, we are faced with many competing pressures. On the one hand, there is the Government target to reduce homelessness and the number of people living in temporary accommodation. Yet, on the other, we must manage our housing stock to meet the needs of existing tenants, particularly those who are living in overcrowded conditions. Each is a difficult enough task on its own, given such high levels of homelessness and other housing need here in central London; but when we are also faced with the prospect of a diminishing supply line in the form of new social housing units, the task becomes impossible.

3.10 Westminster is a place where just about everyone, apart from the extremely wealthy, finds buying or renting a home unaffordable. We have very high levels of demand for social housing but also a large cohort of people who could benefit from below market, or “intermediate” housing market products.

3.11 The intermediate housing market was one of the key focus areas for the Westminster Housing Commission. The Commission formed the view that in Westminster, with good transport links, it is about mixed income communities and not a “key worker” issue. A far greater range of products and broader eligibility criteria are needed to ensure that people who contribute to the local economy and keep communities stable are retained within Westminster.

3.12 The Government’s focus on key workers as the only category of people entitled to (Government funded) below market housing products has meant these programmes are very restrictive and may not, in fact, be addressing housing needs in local areas. In Westminster, for example, there is a need to provide affordable housing for workers in the hospitality sector, which is central to the economic vitality of London as a whole. We would argue that affordability, rather than occupation, might be a better criterion for determining eligibility for intermediate market housing.

3.13 Evidence suggests that the key worker programmes have at times resulted in housing that is unattractive, unaffordable and often not suitable for families. Subsidies on the open market have proved popular, but these build demand without additional supply and, as far as Westminster is concerned, have resulted in people leaving the City rather than remaining here.

3.14 We are particularly keen to develop intermediate products that are attractive to families and to existing social housing tenants. However, we recognise that such products may need a significant level of subsidy to make them affordable in central London. A balance has to be struck between intermediate and social rented housing—a particularly complex issue in a place with high levels of homelessness and overcrowding and where “ordinary” families are being priced out of the market.
The geographical distribution of subsidies for affordable housing

3.15 Since 2003, when the housing sub-regions were formed, affordable housing funding from the Housing Corporation has been allocated via sub-regions rather than individual local authorities. The housing needs of individual boroughs are now to be met by new housing developed within each sub-region as a whole. Clearly, for a given sum of money, a greater number of homes can be developed in the outer, cheaper boroughs than can be built in central areas like Westminster. More units can be produced at a lower average grant rate, and this therefore represents better value for money for the Housing Corporation.

3.16 The North London boroughs have very different housing markets—from the outer boroughs with slightly cheaper land and development costs, to the inner boroughs with some of the most expensive land in the world. A standard grant rate applied across the sub-region means that outer boroughs have many more viable schemes. In Westminster, the grant rate is not enough to make schemes competitive without further subsidy from other sources.

3.17 Sub-regional arrangements mean that subsidy is being directed to lower-cost areas where more housing can be developed for less, while high-cost, high-demand areas are missing out and are finding it increasingly difficult to meet local housing need. And we foresee a real danger of this situation getting even worse when the Mayor of London takes responsibility for affordable housing funding decisions. It is well documented that the Mayor’s priority is to promote development in the boroughs of the Thames Gateway Growth Area, which will further divert resources away from central London.

3.18 A particular difficulty that local authorities face in this new regime is that, while funding for affordable housing is now on a regional/sub-regional basis, homelessness is still a local responsibility. Increasingly, as investment is targeted at the Growth Areas around London, mobility of residents will become an important issue. At present there is no means by which to ensure that residents outside these areas also have access to the rehousing opportunities available for all London boroughs.

3.19 We would argue that this approach neglects the substantial development opportunities that exist in inner London. Westminster’s Housing Commission concluded that there is considerable potential to develop new housing within inner London on a sustainable basis and within acceptable residential density levels. Sir Terry Farrell, one of our Commissioners, cites the example of Kensington & Chelsea which, while having the highest residential densities in the country, also enjoys high levels of residential amenity, largely due to the style of development there—Georgian and Victorian terraces, rather than tower blocks. The advantage of developing in these existing communities over the Growth Areas is that much of the infrastructure is already in place to support a large number of new homes to be built.

4. Social Housing Management

The future role for local authorities as builders and managers of social housing

4.1 Westminster would very much like to see Arms Length Management Organisations (ALMOs) being granted the right to bid for Housing Corporation funding, particularly as a vehicle for development on existing council estates. This is preferable to introducing another developer, such as an RSL, as the ownership and management of properties on the estate is retained within the one organisation (the problem of multiple landlords/managers is outlined below).

4.2 ALMOs alongside their local authorities provide an excellent vehicle for new build—they bring the leverage of land currently held within the HRA. By expanding the ALMO remit beyond social rented housing into intermediate housing, schemes built on vacant land can be made self-financing as found in the Hounslow studies.

The effectiveness of different social housing models including traditional local authority housing, ALMOs, housing co-operatives and housing associations

4.3 Westminster’s housing stock has been managed by an ALMO—CityWest Homes—since April 2002. The ALMO model has proved very positive in Westminster, and CityWest Homes has twice been awarded the Audit Commission’s highest inspection rating—three stars, with excellent prospects for improvement—the latest awarded last month.

4.4 Setting up the ALMO has allowed the City Council to concentrate firmly on strategic housing issues while CityWest Homes has been able to concentrate on improving service delivery to tenants and leaseholders. In its most recent inspection report (September 2006), the Audit Commission praised CityWest Homes for its customer-focused and proactive delivery of services. CityWest Homes has been very successful in involving tenants in decision making, planning for the future of their homes and local areas, monitoring service delivery; has driven down costs, focused on achieving value for money and has maintained a very strong local presence in Westminster neighbourhoods.

4.5 CityWest Homes has the inherent advantage over Westminster RSLs of very tight geographical focus and local scale, along with a strong relationship with the City Council. This allows them to ensure residents receive consistent, broad and locally tailored services.
4.6 In Westminster there are over 50 RSLs that own or manage properties. Some have very small portfolios, which can lead to patchy service delivery to tenants if the RSL does not have a local presence. In addition, it is sometimes the case that there are many different landlords (including the City Council) operating on the same estates, which can cause confusion when problems arise, and the organisations’ differing management standards can cause dissatisfaction among tenants who see themselves getting different levels of service.

4.7 The City Council would like to see some stock rationalisation and/or management agreements put in place where multiple landlords exist, but there are many barriers to this. We believe that a more flexible approach by the Housing Corporation would go a long way towards breaking these down.

4.8 In an area like Westminster, property values vary markedly from one area to another—we have some of the most deprived wards in the country as well as some of the most affluent. An organisation that owns a small portfolio of high value property in one area is unlikely to want to swap it for lower value property in another area, even if it were more closely located to other property in their ownership. The organisation will have very sound financial reasons for retaining ownership of their small portfolio.

4.9 As noted above, the ALMO model is working very well in Westminster. However, we believe that the following ingredients are important to continue the success that ALMOs have shown to date in raising the standards of the housing services they offer:

— an ability to borrow outside HRA constraints;
— an ability to use their full rental income to provide their services;
— an ability to build new social and intermediate housing; and
— encouragement to improve local community cohesion through housing management provision. In particular, removal of the need to charge VAT to RSLs for this service.

5. Private Rented Housing

The role and effectiveness of private rented housing in meeting housing needs

5.1 Westminster has one of the largest private rented sectors in the country—approximately 35% of the housing stock, or about 38,000 dwellings, is privately rented. The sector in Westminster serves a broad spectrum of tenants, from those living in Houses in Multiple Occupation (HMOs) right through to international business people seeking luxury, city-centre apartments. It is, however, a very expensive sector. We estimate that Housing Benefit operates in, at most, 15% of the market in Westminster.

5.2 Westminster’s private landlords operate in a buoyant, high demand market. They experience minimal void periods, can charge very high rents, and can be extremely choosy about who they accept as tenants. In such a market, they do not have to rely on tenants in receipt of Housing Benefit to take properties that nobody else wants. Many, in fact, flatly refuse to deal with tenants who are dependent on Housing Benefit.

5.3 Despite this, we believe that there is scope for this sector to better assist those in housing need. The City Council has had some success recently in attracting landlords to our “Landlord’s Incentive Scheme”, which has been introduced to help households that might otherwise become homeless, find a home in the private rented sector. In a market such as Westminster’s, however, it must be recognised that schemes such as this are not possible without considerable incentive payments and other guarantees being made. In return for an offer of a 12 month renewable tenancy to our nominated tenant, the Council pays the landlord a non-refundable sum and arranges insurance cover for the tenancy period. In addition, we provide Housing Benefit payment guarantees and provide an on-going liaison service to resolve problems when they arise.

5.4 As noted above, Westminster’s supply of social rented housing is limited. Yet, we are faced with very high levels of demand from people who qualify and, given current housing and homelessness legislation, have a right to be accommodated in such housing. Westminster’s view is that, for many of these households, the private rented sector would be a legitimate housing option. But a change in legislation would be required for this to occur so that an offer of private rented accommodation would be considered to be a “discharge of duty”.

5.5 Current homelessness guidance from Government stresses that “authorities review the extent to which qualifying offers of ASTs are being made to households in temporary accommodation in their area; whether there are any barriers to such offers being made or accepted and if so what additional steps would need to be taken to address these barriers.” (Homelessness Code of Guidance, section 3.18). In this instance, it is the legislation itself which is the barrier and out of keeping with the strong message coming through the guidance that the private rented sector can provide settled homes.

5.6 In the absence of legislative change, local authorities face difficulty encouraging people who might otherwise qualify for social housing to view a private tenancy as a viable alternative. The security and other rights that are attached to a social tenancy (particularly a council one) are seen by most households as far superior, and even an extremely long period in the “limbo” of temporary accommodation is not enough in many instances to persuade them of the benefits of a home in the private sector.
5.7 In London, the private rented sector has expanded in recent years, reversing decades of decline. While the sector has difficulty attracting long-term institutional finance, it has attracted many small landlords through buy-to-let investment. The tax regime, however, acts as a disincentive to investment for many people and/or institutions. Increased investment in the sector would be encouraged through reforms.

6. **Government Institutions**

**The priorities and effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in responding to housing needs**

6.1 Our experience has been that national/regional bodies set priorities at national/regional levels, and that it is very difficult to fit local priorities within the largely inflexible frameworks to which these organisations work. They often apply “one-size-fits-all” approaches which do not sit well with individual borough circumstances.

6.2 Until very recently, for example, a priority of the Housing Corporation and the London Housing Board has been to meet targets for the number of units delivered within their programmes, rather than focusing on what is actually needed and where. This has meant that schemes delivering high numbers of small units have been favoured over those delivering a lower number of larger units, for example, which may not actually have been what the particular local area needs. We are thankful that the Housing Corporation has now seen fit to amend the basis on which they allocate grant; however, there are still anomalies within the system.

6.3 The Westminster Housing Commission recently heard evidence from housing associations that developing large homes in inner London is unviable, given current social housing grant levels and the rents that are able to be charged. Even with the Housing Corporation’s new approach of allocating grant according to the number of people housed (rather than simply grant per unit), there is still a capital funding gap (which a housing association must privately finance) of about £100k on a four-bed dwelling, compared with £80k for a two-bed dwelling. In addition, there is an ongoing revenue gap as housing associations can get £180 per week for two two-bedroom dwellings and only £110 per week for a four-bedroom dwelling. For housing associations, it is therefore more financially viable to build two two-bedroom units than one four-bedroom dwelling.

6.4 The Westminster Housing Commission has recommended that the Housing Corporation introduce a grant premium for the larger, family-sized properties which are in such short supply. An increase in grant would need to ensure that the capital pay-back periods for large and smaller units were the same, and additionally, were sufficient to bridge the gap in revenue costs.

6.5 In an area like Westminster, the shortage of larger accommodation is a key factor in the growth of overcrowding. Westminster is one of the top 10 most overcrowded boroughs in London and Census figures show that nearly 12% of households in Council housing are overcrowded. This particularly affects our large population from BME communities, who make up nearly half of the resident population.

6.6 While we welcome the London-wide targets for increasing the proportion of family-sized housing in new developments, it is unlikely that this will be achieved in areas like Westminster given the current funding regime. Grant rates are determined regionally, rather than locally, so the same grant rates apply, for example, in Enfield and Westminster—two boroughs with entirely different land and development costs. We are finding it increasingly difficult to fund developments in Westminster without topping them up from other sources, due to this one-size-fits-all approach.

7. **The Planning System**

**The role and effectiveness of the planning system, including section 106 agreements in the provision of rented housing and securing mixed tenure housing developments**

7.1 The planning system has no control over the provision of private rented housing. Generally, private residential schemes are granted permission, and are then either owner-occupied or privately let. However, through the use of the City Council’s affordable housing policies and the section 106 agreements mechanism, the City Council is able to ensure the provision of social rented housing in order to create mixed tenure developments.

7.2 Virtually all affordable housing opportunities in Westminster come through section 106 agreements, as the high cost of land means that Housing Associations can rarely compete with private developers for development sites. Securing affordable housing this way is a complicated process, but Westminster has very clear policy requirements that give developers certainty, and section 106 has proved to be an effective tool in securing new affordable housing.

7.3 Westminster’s policy of requiring on-site development of affordable housing, wherever possible, has been effective in creating mixed-tenure housing developments in very expensive, inner-city areas. The policy outlines, as a general guideline, that where 30% affordable housing is being provided, 25% should be for residents in housing need (typically the social rented sector) with 5% for key workers. The allocation of
affordable housing units where more than 30% of the units are to be affordable will be guided by housing needs assessments to ensure that the mix of affordable housing provided is meeting the immediate and longer term needs of households who require housing. This will often include additional provision for key workers. It is only in special circumstances, where non-viability can be clearly demonstrated, that financial contributions toward affordable housing are accepted.

7.4 Private rented accommodation is an important part of the tenure mix in Westminster. However, short-term letting takes units out of the residential sector that could house permanent residents and the City Council endeavours to enforce against unauthorised temporary sleeping accommodation. Short-term letting is a considerable problem throughout Westminster, partly because of the appeal of Westminster as a visitor attraction to tourists—it is in relation to holiday lets that the City Council receives most complaints.

7.5 Since 1998 the City Council has had a dedicated “short-term let” enforcement team who proactively monitor blocks of flats with a known history of short-term letting, and also act upon information provided by permanent residents. During 2005 the team dealt with 560 short-term let enforcement cases and “closed” 264 cases. At any one time, the enforcement team has over 1000 short-term let cases under review. This illustrates not only the scale of the problem in Westminster, but also the length of time and effort it takes to enforce against. It is worth noting that the city council has had absolute support from the Secretary of State in terms of short-term let enforcement appeals, partly because of the strength of the planning policy.

8. **Housing Benefit**

*The effectiveness of housing benefit as a means of providing access to rented housing to those in need*

8.1 Despite great improvements in the administration of Housing Benefit in many authorities, non-payment of Housing Benefit is still a significant cause of homelessness as landlords evict tenants who are in arrears. Where the arrears are no fault of the tenant, in most cases these households will be determined to be homeless and owed a housing duty by the local authority. Authorities are working very hard to prevent this happening: working with both landlords and Housing Benefit departments to enable tenants to remain in their homes.

8.2 Housing Benefit rules and administration are currently very complicated for both tenants and landlords, and need to be rationalised. As we have noted above, many landlords will not accept tenants who are dependent on Housing Benefit. Landlords will be reluctant to accept people on Housing Benefit unless regulations and administration are simplified and made more flexible, and the risks to them of taking HB tenants are minimised.

8.3 We are concerned, however, that the Local Housing Allowance rent areas will be very broadly defined geographically, with little recognition of the high rents charged in Westminster and other parts of central London. If this is the case, there is a danger that people will be driven out of central London to cheaper parts of the city, and our efforts to create more sustainable communities in central London will be adversely affected.

9. **Conclusion**

9.1 These are just some of the housing supply issues faced by local authorities. We welcome the attention that Government is now paying to the need to raise levels of supply nationally, and the additional resources that are being put into social housing, in particular. But, we cannot stress enough that the additional resources are not reaching many areas of very high need.

9.2 The Westminster Housing Commission has recently investigated the issues facing Westminster, and we would commend its report to you as many of its recommendations are directed not just to the City Council, but to central government and national agencies.

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**Memorandum by the National Housing Federation (SRH 29)**

**INTRODUCTION—THE ROLE OF HOUSING ASSOCIATIONS**

The National Housing Federation represents housing associations in England. Between them our members provide two million homes for five million people. They build better homes and more sustainable neighbourhoods. Housing associations are independent, not for profit social businesses.
SUMMARY

The housing association sector, in responding to the Treasury’s Comprehensive Spending Review 2007 announcement, has fully embraced the challenge and sought to develop a 10-year vision for the sector. A significant element of our response involves the provision of housing and housing services, including the provision of rented housing.

The need for rented housing should be met, but in the context of truly mixed communities, at prices that are affordable to those in need of housing and unable to provide it for themselves. It is only through the provision of mixed communities that we will create true sustainability, with places where people want and are able to live and work both now and into the future.

This will only be achieved through:

— The provision of public subsidy in the volumes necessary to meet the high levels of need currently experienced and forecast for the future. The Federation believes there is a need for around 80,000 new affordable homes per year, with 55,000 being social rented homes and 25,000 low cost home ownership homes.
— A coherent land supply and planning system, delivering developable land with planning permission, at the right price, in the right place and with the right level of subsidy available.
— A strategic approach to the delivery of housing in all regions to meet a broad range of needs, based on robust evidence and analysis.
— Well-researched analysis of supply and demand for a range of supported housing across, for example, age, ethnicity, household type, and disability etc, alongside a clearer picture of scale of existing stock that can be remodelled to meet changing needs of older people and new demands of homeless, excluded groups. There is also a need for additional stock to address move-on needs and current silt-up within existing supported housing projects.
— Suitable levels of investment in both hard and soft infrastructure.87
— Having an appropriate level of properly skilled individuals available to deliver sustainable communities across the country.
— Housing and services appropriate to the needs of all communities.
— Provision of a wide range of products providing choice.88

The Federation recognises and supports the need to meet people’s aspirations and understands that there is a group of people for whom neither social renting nor owner-occupation is an option. This is why we support continued funding for Low Cost Home Ownership products. Since 1990, HAs have enabled in excess of 60,000 households to buy their own homes through this method and, more recently, have assisted more than 20,000 key workers through the Starter Home Initiative and Key Worker Living Programmes.

Investment in housing provided by HAs is secure into the long term because housing associations have long-term interests in, and commitment to, their neighbourhoods and are community anchors.

The Federation believes it is essential to retain a financially viable affordable housing sector able to invest long term in the communities in which they work. This must include the sector having access to sustainable and affordable rental streams, and control over the use of assets and surpluses.

In determining its priorities and policies, Government should concentrate on the delivery of truly sustainable communities rather than on the continual pursuit of “the numbers game”, ie the pursuit of ever higher numbers of affordable housing units for lower subsidy, often at the expense of: quality; diversity; sustainability; and local priorities, in both urban and rural contexts.

1. The level of public funding required to meet social housing needs

The Federation’s latest assessment of the level of demand for affordable housing suggests a national demand for around 80,000 new affordable homes per year for the next 20 years. This level of demand is driven in particular by factors, including:

— continuing population and household growth; and
— a continuing trend towards living in smaller households, leading to increased demand for housing from a given population.

The Barker Review89 of housing supply, whose final report was issued in March 2004, used a similar methodology to that applied in our assessment, with initially similar results. That analysis however, applied assumptions with which we would disagree, including:

87 Hard infrastructure will include; roads, schools and hospitals. Soft infrastructure will include systems for health, education and law and order.
88 Choice in this context refers to provision of a wide range of different types of affordable housing, some for rent and some for part purchase, affordable at a range of price levels, on offer to a wide range of individuals.
89 In Budget 2003 the Chancellor and Deputy Prime Minister asked Kate Barker, member of the Monetary Policy Committee, to undertake a review of issues affecting housing supply in the UK. An interim report was issued in December 2003 and a final report in March 2004.
— Barker assumed an increased role for the private sector rented sector;
— Barker assumed that one third of newly arising households would already be in some form of housing and would not need social housing;
— The Federation takes a different approach to the treatment of those households who are currently inappropriately housed (the backlog) and the time allowed for this work to be completed.

This leads us to different conclusions on the overall demand for new affordable housing.

The Federation’s assessment of demand is based upon work using the Cambridge Centre for Housing and Planning Research (CCHPR) demographic model of housing need carried out in 2005. This has been updated using more recent household formation forecasts. The total demand for affordable housing is calculated from two components:

— Affordable housing to meet need from newly forming households; and
— Affordable housing to meet the backlog caused by insufficient provision in the past.

The combination of the elements provides an estimate of total current need that is close to 100,000 new homes per year. However, the Federation recognises that a number of factors constrain delivery of ever larger programmes, including:

— The supply of available suitable land;
— Providers’ capacity to add resources to public subsidy by borrowing and using reserves;
— Capacity within the construction industry due to competing priorities from; preparation for the 2012 Olympics, increased public investment in infrastructure and other construction projects; and
— Capacity within the sector to manage and deliver ever larger capital programmes.

This assessment includes a separation between demand for social rented and “intermediate market” housing (in their work CCHPR refer to the “intermediate market” meaning, what is more usually referred to as Low Cost Home Ownership). Allowing for these constraints, the Federation believes there is a need for a programme of around 80,000 new affordable homes per year, approximately 55,000 of which should be social rented homes and 25,000 “intermediate market” homes. The current Housing Corporation two-year capital funding programme is set to deliver approximately 84,000 homes, half the size of our recommended programme, for a budget of £3.9 billion. At current levels of public subsidy and using existing delivery models, we believe that a programme of the size we are recommending would cost in the region of £4 billion per year.

The current programme’s outputs are split between 45,000 social-rented and 39,000 low-cost home ownership (equivalent to our "intermediate market") homes, which in our view is an over emphasis on the demand from the intermediate market. The Federation supports the implementation of the National Housing and Planning Advice Unit (NHPAU) tasked with responsibility for promoting a broadly agreed methodology for determining national and regional demand for housing. If the Unit is to be a success it must deliver consensus and maximise focus on resources, delivery and planning, as opposed to methodology disputes on determining the level of demand.

In addition to the above statistical evidence in support of increasing the subsidy for affordable housing, the following data suggests a housing market in crisis across the country. There are also, however, regionally specific issues that should not be ignored, despite the need to deliver increasing levels of housing in the overheating southern and London markets.

| Table 1 |
| Regions | Households on housing register | Housing need Homelessness acceptances 2004-05 | Households in temporary accommodation |
| England | 1,543,509 | 120,860 | 101,020 |
| North East | 89,747 | 7,940 | 820 |
| North West | 200,600 | 17,360 | 2,850 |
| Yorkshire & Humberside | 227,430 | 13,430 | 2,210 |
| East Midlands | 137,095 | 9,120 | 2,950 |
| West Midlands | 137,992 | 14,050 | 2,330 |
| East | 129,184 | 10,150 | 7,550 |
| London | 309,072 | 26,730 | 63,120 |
| South East | 181,196 | 12,420 | 12,110 |
| South West | 131,193 | 9,680 | 7,080 |

50 The objective of the NHPAU is to advise Government and the regions on the implications for the level and broad distribution of future house building, of the Government’s national ambitions for long term market affordability and housing supply, and is established in response to a recommendation in the Barker Review report.
These statistics (Table 1) demonstrate that in excess of 1.5 million households are currently on housing waiting lists, equivalent to almost 7% of the total number of households in England. In addition, this number is increasing by 120,000 or 8% per year. In excess of 100,000 households are housed in temporary accommodation, of which more than 80% are in London and the south.

Within the demand for rented accommodation described here, delivered within truly sustainable communities, housing and services should meet the needs of people with a wide range of support requirements. The level of this support must be identified at regional and local levels and appropriate resources made available. However, the provision of additional homes is not always the answer, and of equal importance is the provision of resources to meet support needs and, more importantly, the co-ordination of these two facets to ensure adequate, appropriate and sustainable support.

Although commentators tend, for ease, to identify northern and midlands regions as being areas of low demand and southern regions being areas of high demand, this is far from a uniform picture. There are within northern regions areas with severe high demand and consequential affordability issues. One such “hot spot” being Castle Morperth, in the North East, where house prices are 80% above the regional average and 17% above the national average. This should not, however, be taken as evidence that the need for the work of Housing Market Renewal Pathfinders is over. Far from it. These are long-term projects needing continued public investment to enable remodelling of existing housing stock and, in some circumstances, demolition. Activity of this type should be carried out following full local consultation and, wherever possible, the support of the community.

There is a clear need for rented-supported housing as well as more standard, general needs rented properties. The ODPM Review of Supporting People Programme concluded that “There is undoubtedly unmet need for vulnerable groups . . .” and work on the Supporting People distribution formula demonstrated that demand for Supporting People services outstrips supply, even in areas where the distribution formula suggests that less resources are required.

The provision of new affordable accommodation is not the only means of meeting the need for this type of housing. Of significant importance is the funding of remodelling91 of existing provision to make it fit for purpose.

2. The relative funding priority being given to social rented housing as opposed to shared ownership and other forms of below market housing

The work mentioned previously to estimate the overall level of demand for affordable housing, included an estimate of both “social rented” and “intermediate market” housing. The difference between these two elements is calculated through the use of an income measure, to determine ability to access Low Cost Home Ownership (LCHO) products. The calculated ratio of Social Rented:Intermediate Market nationally is approximately 2:1. The mix between tenure types at a regional level (determining funding decisions) and on individual schemes should be calculated according to local need and scheme financial viability.

The characteristics of current new entrants to the social housing sector demonstrate the continuing need for a low cost rented sector. Data show that in 2004–05 (the last year for which summary data is available) 57% of new entrants to social rented housing were eligible for housing benefits, with 51% wholly dependent on state benefits for their income.92 For lone parents, who accounted for 21% of all lettings, this figure rose to 69%.

With only 13% of new tenants in full time work and only 12% in part time work, incomes remained unsurprisingly low. Mean incomes for all new households were £181 per week with 20% having incomes of less than £80 per week.

The social rented sector continues to be an important source of housing for single-person households who are, often by their nature, unable to compete in the wider housing market. In 2004–05, 34% of lettings were to single-person households with a further 15% of lettings to older, single-person households. Single-person households had low mean incomes of just £132 per week, with 46% earning less than £80 per week.

These figures conclusively demonstrate the difference in characteristics between households entering social rented housing and those entering assisted home-ownership schemes. Comparable data for 2004–05 show that 95% new shared-owners/Homebuy purchasers were in full time employment and that all incomes vary slightly by scheme; new assisted owners had average incomes of around £30,000 per annum (£580 per week).

The Federation believes that these figures, along with the demographic assessment of need discussed above, demonstrate the need for the majority of resources for new, affordable housing should be concentrated on providing new, social-rented accommodation.

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91 Remodelling of existing provision refers to the change of existing affordable housing (often older and specialist) and redesigning it to make it fit for purpose again.

92 Figures from CORE (COntinuous REcording of lettings) data, 2005.
In meeting the need for LCHO we need to be careful, that in seeking to reduce the grant take needed per home provided, we do not unnecessarily seek to over-use cheaper forms of LCHO which do not add to the total number of homes available. Products which provide mortgage support for customers purchasing on the open market are a useful tool for accessing home ownership for some, but they do not contribute to new supply, and are also less value for money to the public purse over time, as detailed in the recent National Audit Office report, (A foot on the ladder, 2006).

Currently, housing associations use LCHO as a tool in achieving mixed tenure developments. It produces balanced and sustainable mixed tenure developments and also helps deliver financial viability across tenures. This is not by using New Build HomeBuy\(^{93}\) to subsidise social rent, but by using its viability to enable housing associations to generate stronger land values than on exclusively social-rented development. Any reduction in subsidy for New Build HomeBuy is likely to result in a reduction to the supply of social rented (on mixed tenure schemes) as well as NewBuild HomeBuy.

True levels of demand for LCHO should be determined at a regional level and incorporated into housing strategies and appropriate products developed to meet this need. In addition, each region should be able to develop its own priority groups\(^{94}\) and products to match, to ensure that they are locally appropriate. The Federation welcomed the relaxation of targeting specific funding and homes to a strict key-worker definition, which did not enable housing associations to meet local needs, or create mixed and balanced communities.

HAs are key to the delivery of affordable LCHO products by attracting in private finance to stretch public subsidy, taking risks with their developments to ensure that they meet the local need in terms of price, product and volume.

3. The geographical distribution of subsidies for affordable housing

The Federation believes that the most recent method for distributing housing subsidies includes significant improvements compared to previous systems. Of particular importance are the restriction of political influence to determining of national priorities and the use of objective measures to distribute these resources between the English regions. The method also combines the resources available for each region into one pot, which is then used within the region to meet its own identified priorities, putting decision making in the region, where it is most effectively delivered.

The capital subsidies made available through the single regional housing pot are not the only resources available for providing and supporting housing (others include resources to Housing Market Renewal (HMR) Pathfinders\(^{95}\), resources to growth areas, new settlement infrastructure resources etc). We believe that to achieve improved clarity about the resources available and their regional distribution information on these various resources should be aggregated and published.

Capital subsidies for the provision of affordable housing need to meet a wide spread of different needs across the country and it is this that has made it extremely difficult to agree the distribution of these resources. Of equal concern is that each area of the country also receives the resources to meet its own priorities and the ability to determine those locally.

Any system to determine the geographical distribution of resources needs to be:

- objective, transparent and well understood;
- outside of the political spending decision process; and
- based on the most up to date and robust data available.

The reason for the difficulty in agreeing the distribution methodology is the desire to maximise resources in any one region. If, however, the resources available were substantially increased (as per our answer to Q1) we believe that this becomes less of an issue.

Moves towards longer term and more strategic regional funding, the subject of recent consultations and discussions, are welcomed, subject to certain important safeguards:

- Local, regional and national accountability mechanisms need to put in place.
- Tensions between national, regional and local priorities must be identified and effectively managed.
- Resource and capacity to deliver must be assessed to minimise wastage.
- Consistency of outcome must be ensured by ensuring that local decisions are made within a national context and framework.

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\(^{93}\) NewBuild HomeBuy is the provision of newly built homes on a leasehold basis for those in housing need who purchase a share of the home and rent the rest. It has traditionally referred to as shared ownership.

\(^{94}\) By priority groups we mean those groups of workers not currently included within national key-worker definitions, but vital to some communities in similar ways.

\(^{95}\) HMR Pathfinders are nine areas identified in the Sustainable Communities Plan as being in need of investment to deliver market renewal, due to low levels of housing demand.
— Resources to develop regional integrated strategies must be available to ensure proper cohesion between different funding stream decisions.

— Consistency between regions is important for consistency of outcome and vital for the confidence of delivery agents working across regional boundaries.

— Equity between regions is important and distribution formulae should be reviewed periodically to ensure confidence is maintained.

The Federation is concerned that a focus on high demand issues, particularly those in London and the south, should not divert much needed resources from midlands and northern regions. There is a need for new housing supply in all regions and it is also important to ensure that sufficient resources are also available to support the re-development and re-modelling of existing homes.

4. The future role for local authorities as builders and managers of social housing

Housing associations (HAs) should remain the provider of choice for affordable housing for the following reasons:

— Due to their track record and regulated status they are able to deliver excellent value private finance, thus increasing the long term value and viability of the new housing offered. In addition, housing association borrowing, currently totalling in excess of £35 billion, does not count against the Public Sector Borrowing Requirement (PSBR).

— They have an excellent track record over decades in delivering high quality, excellent value for money, complex programmes, delivered to meet the needs of communities all over the country.

— Being social enterprises rooted in the communities they serve, housing associations are excellently placed to deliver both properties and services that meet the needs and aspirations of those communities.

— They have a long track record in delivering increased value by recycling and reinvesting the proceeds of prudent sales of un-needed properties as part of well researched asset management strategies.

The Federation believes these arguments demonstrate that HAs are best placed to deliver excellent quality, good value, affordable housing in sustainable communities.

Housing associations are proving themselves equally to be managers of choice for social housing tenants with:

— Nearly one million homes having been transferred from LA ownership to HAs.

— HAs now owning nearly 50% of all the social housing stock available across the country.

— Tenants of HAs are regularly and consistently more satisfied with the service they receive from their landlord than are those of LAs.

A total of 297 tenant ballots regarding landlord transfer have been held, of which 230 have resulted in a yes vote, equivalent to 77%.

The current important and strategic role that local authorities perform as local housing enablers should continue. Their role (often jointly with others) in carrying out and commissioning Housing Market Assessments96 (HMAs) is vital in the determining of regional needs and priorities. These focused and strategic roles should not be jeopardised by the introduction of wider roles risking the diffusion of impact.

The effectiveness of local authorities in fulfilling their roles is often largely as a result of their ability to work in close partnership with others. In the provision of supported housing it is imperative that LAs work with housing associations and the voluntary sector, as a large majority of supporting people contracts are held by these organisations.

5. The effectiveness of different social housing models including traditional local authority housing, ALMOs, housing co-operatives and housing associations

Housing associations (HAs) should remain the provider of choice for affordable housing for the following reasons:

— they have an excellent track record over decades in delivering high quality, excellent value, complex programmes, delivered to meet the needs of communities all over the country;

— due to their track record and regulated status they are able to deliver excellent value private finance, thus increasing the long term value and viability of the new housing offered;

— being social enterprises rooted in the communities they serve, housing associations are excellently placed to deliver both properties and services that meet the needs and aspirations of those communities; and

96 A Housing Market Assessment is the evaluation of the local housing market (often across administrative boundaries) set in its wider context, to inform strategy making and decisions on possible interventions.
they have a long track record in delivering increased value by recycling and reinvesting the proceeds of prudent sales of un-needed properties as part of well researched asset management strategies.

LA tenants across the country have been voting to approve the transfer of their homes to housing associations to such an extent that there will soon be more homes owned by HAs than by LAs. By that point, in excess of one million homes will have been transferred. HAs are therefore clearly the landlord of choice, on a wide number of fronts, for those in need of affordable housing. HAs are delivering increasing numbers of new, affordable homes per year with greater certainty of delivery, improved value for money and improved quality of construction and design.

As we have argued previously in this evidence, we believe that there is a great deal of currently unmet housing demand, and the resources to deliver homes to meet that need should be made available. We would support any initiative that provides an opportunity to do this, providing it meets the following tests:

- Offers at least equivalent (not counted on PSBR, equivalent rates and costs etc) access to private finance.
- Offers at least equivalent guarantees regarding the permanence of the funding remaining in affordable housing.
- Offers at least equivalent value for grant per unit and per person.
- Offers at least equivalence of non-public resources being levered in to supplement public funds.

6. The role and effectiveness of private rented housing in meeting housing needs

Private rented housing meets the needs of a small section of society. Mainly, this is concentrated amongst those who are young and upwardly mobile, and mobile both economically and geographically. The availability of this form of housing provision is of benefit to our national economy as it provides great flexibility and mobility; however, it needs to be recognised that it is rarely the tenure of choice for those seeking greater stability and to settle down.

Because the most common way of renting in the private sector involves having successive six month contracts, it does not suit those in need of long-term, secure housing, especially those with children who are likely to be seeking a greater level of stability. So whilst fulfilling a need within the overall housing market, private rented housing is very much a niche provision, amounting to slightly more than one in 10 of dwellings in England. Its role and effectiveness must therefore be assessed in the context of that niche provider situation.

Truly sustainable communities require a mix of housing and tenure types; providers and planners should ensure that this mix is optimised. Anecdotal evidence suggests that in some new settlements and areas of high new provision, tenure planning is being challenged due to large scale speculative activity in the private sector. This situation needs to be monitored to ensure that appropriate responses are available, should they prove to be needed.

The private rented sector has, as a result of the lack of affordable housing, developed a role as back-up to mainstream affordable housing providers. In fulfilling this role however, the standard of accommodation provided is often of poor quality.

The Federation does not believe that private rented housing can be used to replace the role currently played by the social rented sector.

7. The priorities and effectiveness of the Housing Corporation (HC), English Partnerships (EP) and the Regional Housing Boards (RHBs) in responding to housing needs

This section of our evidence needs to be viewed in the light of the possible merger between EP and HC, and a copy of our response to that review has been appended. You will note that we concentrated on the outcomes from any new agency and the communities invested in.

Housing Corporation

The Housing Corporation has an excellent track record in delivering large, complex capital programmes, working closely in partnership with housing associations, local authorities and others.

The Housing Corporation should concentrate its investment efforts towards:

- Ensuring that equivalent outcomes for tenants, residents and their communities are achieved, irrespective of the status of the original provider of the homes.
- Ensuring the long term nature of building sustainable communities in pursuit of short term subsidy reductions.
- Lobbying for the right levels of subsidy to deliver the high levels of new affordable housing necessary to meet current and forecast levels of demand.
— Ensuring that the long term viability or independence of affordable housing providers are not jeopardised in pursuit of increased resources to support public subsidy.
— Working closely with stakeholders to ensure that regional and national strategies truly reflect the various issues and develop solutions and products to meet those issues.
— Reducing the burden of bureaucracy and regulation so as to provide affordable housing providers with the freedom to be innovative and responsive to the needs identified in different communities.
— Putting in place infrastructure and processes that will allow efficient and effective delivery of the programme and minimise scrutiny and interference.

The Housing Corporation has developed a good understanding of the need for supported housing and has often acted as a “champion” for this part of the sector and, in particular, the need for a stronger link between capital and revenue funding streams.

Regional Housing Boards

Established in the Sustainable Communities Plan, Regional Housing Boards (RHBs) have responsibility for the development of regionally focussed housing strategies, used as the basis for decision making over the resources available to them. Because Regional Housing Strategies (RHS) are so important to the delivery of sustainable communities and balanced housing markets, they need to be well evidenced so that the decisions taken on the basis of them are the best possible. In many cases the RHSs are improving and work needs to be done to ensure that all improve whilst meeting a minimum “fit for purpose” standard.

The Federation welcomes the forthcoming link-up between Regional Housing and Planning bodies, and looks forward to this delivering improved co-ordination of evidence base and activity. In order to ensure this, steps need to be taken to ensure that housing and planning are held in equivalent esteem, to ensure parity of outcome.

The representation of various stakeholders on the new combined bodies needs to be considered to ensure equitable treatment and optimal access to expertise, decision-making and outcomes for local communities.

The variety of strategies developed within each region needs to be sufficiently integrated to ensure successful outcomes for communities and citizens. This must include: those dealing specifically with housing issues, for example: regional housing strategies; homelessness strategies; supporting people strategies; those dealing peripherally with housing; planning and spatial strategies as well as those with cross-over points with housing, for example, economic strategies.

English Partnerships

EP has a good track record in working with private sector partners and needs to work harder to establish partnerships with the providers of affordable housing. This is already beginning to happen in the Milton Keynes South Midlands (MKSM) Growth area where EP is a large land-holder. This model of closer working should be replicated across the country.

8. The role and effectiveness of the planning system, including section 106 agreements in the provision of rented housing and securing mixed tenure housing developments

One of the greatest barriers to increasing the supply of new affordable housing is access to good value land which is, in part, due to the planning system.

In an attempt to solve this problem, there needs to be an increase in the supply of land for affordable housing needs. Methods for achieving this include: increasing the availability of sites for affordable housing; and increasing the supply of land for housing, provided policy reinforces that affordable housing be provided on site in kind.

Surplus land within the public sector should not be auctioned to the highest bidder, and in support of this all parts of the public sector should be steered by Government to note that the social benefit and value for affordable housing needs to be discounted from the market value of land for disposal. This must include Treasury revising their best consideration rules to further recognise added social value.

Other available methods include: tax measures to stimulate increased land supply including a “land value tax” on developable sites as an incentive to release land for affordable housing; equally, a newly merged HC/EP should adopt a more consistent and socially oriented approach to land acquisition and disposal.

In order for Housing Associations (HAs) to be able to take advantage of any opportunities presented to them, they need to be freed to optimise the amount of land for affordable housing. Government should therefore provide HAs with greater powers to acquire and bank land, using grant and their own resources, and encourage HAs to acquire and bring forward land by continuing to ensure their control and use of surpluses through equity growth and prudent disposal.
In exchange for these increased freedoms the sector will be able to offer the delivery of affordable housing at a faster rate and at a reduced cost to the taxpayer. In the longer run, by investing in HAs any returns, can be used to grow further housing supply or invest in neighbourhood services.

The Federation is encouraged by some of the early versions of Planning Policy Statement 37 (PPS3) and looks forward to being able to engage in the forthcoming consultation into its final form and implementation. However, in spite of extensive consultation on the policy, the practice guidance document giving interpretational steers remains confidential. We have concerns that there may be unintended, adverse consequences, including unnecessary planning appeals and delays to the delivery of new homes if development practitioners and planning authorities are not fully involved in the development of the practice guidance.

The principal that land value uplift as a result of planning permission should contribute to the costs of development within the local community, which underpins Government’s Planning Gain Supplement (PGS) proposals, is a good one and is supported by the Federation. This principal, however, runs the risk that it will deplete the value available to contribute to Section 106 deals and thus reduce the affordable housing produced. Contributing to affordable housing should therefore be a top priority for the revenue gained this way. If applied to all developments, however, including those supported with public subsidy, it will result in public subsidy being used to pay “tax” to a different public body. The Federation would therefore suggest that this situation be avoided by provision of an exemption for all schemes in receipt of public subsidy. As mentioned below, we believe that the best way of securing a long term benefit for the local community from planning permission for housing developments, is through the use of robust Section 10698 (s 106) agreements requiring in-kind and on-site provision of affordable housing.

The Federation believes that the evidence shows that s 106 agreements have proved to be a very effective means for increasing the provision of affordable housing, in kind and on site, and this success should not be diluted by the introduction of other forms of subsidy. In order to further improve their effectiveness it would prove beneficial to develop national standards for these agreements, and to limit the resources needed to conclude individual agreements. Section 106 agreements are proving especially important in the delivery of affordable housing in areas of high housing demand, where a large proportion of the new affordable housing is provided through these agreements. On-site, in-kind provision is therefore vital to this supply.

9. The effectiveness of housing benefit as a means of providing access to rented housing to those in need

Designing a system to make rents affordable to households on lower incomes has always proved problematic. The current Housing Benefit system is far from ideal, but particularly following recent alterations, works relatively well alongside capital funding for new housing as part of a “mixed economy” of publicly subsidised housing provision.

As it stands, the current Housing Benefit system is still too complex and continues to suffer from administrative problems at the local level, although problems with both of these have improved recently. Despite this, Housing Benefit does go some way towards enabling recipients to be exposed to housing cost price signals whilst at the same time ensuring that the system delivers work incentives, although we believe these are too weak and should be strengthened.

We have welcomed the range of simplification measures introduced by the government to make the housing benefit more effective. These measures have had a positive effect on the performance of local authorities, with over 50% meeting the national standard for processing claims. Nevertheless, a significant proportion of authorities are not. In addition, there are aspects of the housing benefit scheme in need of simplification. Our proposals are set out below:

- Non dependant deductions: Government should end the non-depended deductions scheme, or reduce the six income levels. Another option would be to limit deductions to a fixed portion of the rent.
- Interim payments: Authorities should provide compensation to claimants who fall into rent arrears as a result of the authority’s failure to make interim payments when they have received all relevant documentation.
- Earning disregards: Government should increase the levels of earning disregards to encourage housing benefit claimants to take up work opportunities.

97 PPS3 is The new PPS3 will set out the national planning policies for housing, which regional planning bodies and local authorities should take into account in developing regional spatial strategies and local development frameworks. Its objective will be to deliver new homes at the right time in the right place.

98 Section 106 of the Town and Country Planning Act 1990 (see extract below) allows a local Planning Authority (LPA) to enter into a legally binding agreement (planning obligation) with a land developer over a related issue. In this context it refers to the practice of using these powers to include the development of affordable housing a condition of planning permission for the development of market housing.
Local discretion: In recognition of the growing number of local authorities providing better housing benefit administration, Government should introduce an incentives scheme to encourage improvement across the board. This could include the implementation of ideas raised by the Audit Commission (Housing Benefit: the National Perspective, 2002) suggesting that efficient authorities be given discretion in piloting simplified regulations, and fraud prevention.

Rent referrals: Change housing benefit regulations that allow housing association rents to be referred to the Rent Officer to reflect the requirement of the rent restructuring regime and the housing market realities of low demand areas.

Single Room Rent: Government should urgently review the continued effectiveness of the Single Room Rent system, especially given the marginal effect of the 2001 changes on the quality of properties available to people under-25—Department for Work and Pensions (Research into the Single Room Rent Regulations, 2005).

StaYng issues: Government should develop an accreditation scheme for housing benefit assessors and improve their remuneration to address staYng issues in local authority housing departments, including the disparity in pay between permanent and contractual staV.

Providing incentives into work by utilising the suggestions included in the GLA/Thames Gateway project “Working Futures”, looking at subsidising high rents in temporary accommodation.

Rent deposit schemes for those leaving supported housing and moving into private rented accommodation due to a lack of appropriate affordable housing.

Removal of the 16 hours rule which prevents many young people from pursuing education whilst in receipt of housing benefit.

Annex 1

We have included some statistical information which we believe backs up some of the statements we have made in this submission and these tables are also included in our “National Housing Timebomb” document published this summer, a copy of which is submitted with this document.

### 2005 Affordability

<table>
<thead>
<tr>
<th>Regions</th>
<th>Average house price£</th>
<th>Average earnings£</th>
<th>Average income Private house earnings</th>
<th>needed for a mortgage4</th>
<th>House prices£</th>
<th>Earnings£</th>
<th>LA rents£</th>
<th>HA rents£</th>
<th>Private sector rents£</th>
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<tr>
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<td>24%</td>
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<td>16%</td>
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<td>34%</td>
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<td>34%</td>
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<td>32%</td>
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<td>20%</td>
<td>£52.00</td>
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* Based on 95% mortgage at 3.5 x income

### 2004–05 completions

<table>
<thead>
<tr>
<th>Regions</th>
<th>Private enterprise6</th>
<th>HA5</th>
<th>LA4</th>
<th>Right-to-buy sales 1979–20057</th>
<th>Households on housing registers8</th>
<th>Homelessness acceptances 2004–059</th>
<th>Households in temporary accommodation8</th>
<th>HA5’ shared ownership provision10</th>
<th>HA5’ housing provision for older people10</th>
<th>HA5’ total supported housing provision10</th>
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<td>1,543,509</td>
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Footnotes:

1 Land Registry 2005.

2 Annual Survey of Hours and Earnings 2005.

3 DCLG Advance Subsidy Returns 2004–05.

4 Housing Corporation RSR 2005.


6 DCLG Housing Statistics Live Tables—P2m local authority returns, returns from National Housebuilding Council (NHBC) & Housing Corporation Stock Management System completion figures.

7 DCLG Housing Statistics—PIA/B Quarterly Housing Monitoring returned to ODPM by local authorities.


9 DCLG Quarterly PI(E) returns 2004/05 (provisional).

10 DCLG Quarterly PI(E) returns Quarter 3 2005.
Memorandum from The Royal Institution of Chartered Surveyors (RICS) (SRH 30)

1. The Level of Public Funding Required to Meet Social Housing Needs

The level of public funding required to meet social housing needs is substantial. Social housing is part of the glue that binds society together. It provides affordable housing, a foundation for sustainable communities, facilitates labour mobility and ensures a safety net for the most vulnerable in society.

All social housing requires subsidy, be it derived from capital funding, the planning system and Section 106 Agreements, or, to a lesser extent, Local Authorities. The level required will vary in each locality, depending on the amount of new housing needed.

Evidence suggests that although the level of people aspiring to own their own homes is increasing, the percentage able to afford to do so is declining, particularly in high growth areas such as the South East.

First time buyers, unable to afford the first steps onto the property ladder, and older owners, who are choosing to rent to relieve themselves of the burden and the maintenance of home ownership, are two key groups increasingly choosing to rent rather than buy their homes. Consequently, the social housing market turnover is slowing while demand for good quality, low cost, rented accommodation is rising.

The demographics and aspirations of society are changing and, in turn, so are the demands on social housing. Policy and practice needs to reflect a modern and forward looking approach; it must be based on a pro-active master plan, not just re-active policies, if it is to meet society’s needs. A general feeling prevails that the current levels of public funding are not sufficient to deliver the scale of regeneration and quality of housing needed.

2. The Relative Funding Priority Being Given to Social Rented Housing as Opposed to Shared Ownership and Other Forms of Below Market Housing

Current Housing Corporation funding is broadly split: with 25% for low cost home ownership and 75% for rent, although there is a higher proportion of sale to rent in London. RICS broadly support the current ratios but would emphasis the need for greater provision of family sized properties in both categories.

Demand for social housing, both social rented and shared ownership, varies from location to location; those of the Thames Gateway vary greatly to those of Oxford and they, in turn, from those of Stoke-on-Trent. Likewise, there is a vast spectrum of variety within the relatively small geographical area of the London Boroughs. Social housing policy should be addressed with a one-size-fits-all approach, but should be about matching the ability to pay for stock with the needs of the local market.

Research by the Housing Corporation (Public Attitudes to Housing 2006) indicates that approximately 82% of people aspire to own their property but that only approximately 70% can afford to do so. This situation raises an ethical question: is it right for the public purse to subsidise the homeownership aspirations of the remaining 12% of the population through shared ownership schemes?

Government policy encourages shared ownership schemes. Both the private sector and, to a lesser extent, RSL’s have indicated an interest in funding the shared ownership market, but there are obstacles. Yet the market is limited and largely untested, with high delivery costs. There are also signs that unless shared ownership is made more affordable tenants will continue to prefer the route of outright sale.

RICS supports efforts to allow individuals the opportunity to own their own home but believe it must be achieved in a sustainable and low risk manner. Anticipated rises in interest rates, utility bills and personal debts are likely to further reduce affordability and push more people away from shared ownership, thus placing greater pressure on the rented sector. Research, by Shelter in 2005, found that people on low incomes already place living in a safe neighbourhood and affordability above the desire to own their own home. Recent CML research echoes this trend when it found that the percentage of 25–34 year olds who aspire to buy within two years is already declining.

The Government advocates mixed tenure communities as the way forward for social and economic prosperity. Yet shared equity schemes can undermine the principles of a truly mixed tenure community by reducing the percentage of social rented homes. We would therefore question Government’s contradictory policy of encouraging mixed tenure communities, then promoting their erosion through the promotion of shared equity schemes. Government must decide how it wishes to balance the changing need for social housing, particularly rented, with the growing and contrary, homeownership aspirations of the population.

3. The Geographical Distribution of Subsidies for Affordable Housing

Inaccurate perceptions have often camouflaged the reality between where affordable housing subsidy is needed and the actual distribution. The traditional assumption was polarised; the South, particularly the South East, was regarded as an area of high demand and need while the North was viewed as an area of low demand and abandonment. The tide of thought has shifted. There is now recognition that some parts of the
North suffer from real problems of affordability. Research by the University of York in 2005, highlights the golden triangle area of North Yorkshire, rural commuter areas of Northumberland and the South Lakes of Cumbria. The need for social housing in rural areas as a whole has also been acknowledged.

Public subsidy for social housing is as much about increasing quality and choice and market restructuring as it is about increasing supply. Therefore the decision of how to distribute subsidies for affordable housing must be made alongside an analysis of what the subsidy is trying to achieve: greater ownership, urban regeneration or a rural renaissance. It must also take into consideration, and support, existing initiatives such as the Pathfinder programme, but simultaneously be mindful that many areas of need may not have such support: Sunderland and parts of Western Cumbria, for example, do not have Pathfinder status.

RICS believe the policy for the geographical distribution of subsidy should be based upon sound calculations and analysis of need, reviewed every two to three years, so as to continuously consider the value that the investment will bring.

4. THE FUTURE ROLE OF LOCAL AUTHORITIES AS BUILDERS AND MANAGERS OF SOCIAL HOUSING

Local Authorities should play a key role in the provision and management of social housing, but only in a strategic capacity through the analysis of local markets and policy and not as builders or managers.

A key strength of the current bodies dealing with social housing is their ability to specialise in specific roles and thereby, in principle, simultaneously maximise resources, reduce duplication and offer expertise.

In theory, allowing local authorities to build and manage social housing could create a more level playing field and generate more competition and efficiencies. These benefits, combined with the long term interest Local Authorities have in their communities, could prove a worthy case for consideration.

Conversely, the lack of experience Local Authorities have in raising private finance is likely to be a significant hindrance in achieving the scale of funding required. Also, it is important to consider whether local authorities can deliver the same rate and quality of stock required from the same, or less, public funding than is currently being achieved?

Increasing pressures on public sector borrowing are forcing the Government to consider alternative means of raising funding for investment in social housing. Expanding the role of local authorities into building and managing social housing may be overlooking the obvious route of developing the co-operation and joint working between the public and private sector in the provision of social housing. Currently, there is little incentive for joint working between the private and public sector and we would welcome further information into recent Government proposals to extend the PFI/PPP initiative into the social housing sector.

We await with interest the outcomes of the Lyons review and the forthcoming Local Government White Paper.

5. THE EFFECTIVENESS OF DIFFERENT SOCIAL HOUSING MODELS INCLUDING TRADITIONAL LOCAL AUTHORITY HOUSING, ALMOS, HOUSING CO-OPERATIONS AND HOUSING ASSOCIATIONS

Comparing the effectiveness of the different social housing models is extremely difficult. Each model plays a valuable but different role in the provision of social housing. In addition, their size and remit of influence varies considerably not only between models but within them too. Such variety is a strength, as it caters for the diverse scope of local needs. Their collective advantage comes from their ability to each deal with different niches within the social housing market.

All the models are inspected against their own targets by the Audit Committee, albeit through different mechanisms and, therefore, while their effectiveness is assessed they are not necessarily officially compared.

The perceived level of effectiveness of the different social housing models is often closely linked to the access to funding each has. If they cannot find the capital to raise or maintain the stock they are seen to be ineffective. Inadequate funding has led some models to engineer innovative ways of increasing their capital and, in turn, the supply of rented housing.

The individual effectiveness of each of the models in the provision and maintenance of social housing is of great importance but, the collective effectiveness of all the models working together must not be ignored.

6. THE ROLE AND EFFECTIVENESS OF PRIVATE RENTED HOUSING IN MEETING HOUSING NEEDS

The private rented housing sector plays a vital and important role in helping to meet housing needs. It fills this role because there is a demand. It is market driven and aims to generate a financial return and capital appreciation for its investors. Its existence should not be confused with a notion that it was established to compliment, or answer, any shortfalls in the social housing market.

Private rented housing provides flexibility and choice in the market. Evidence from the University of York suggests that it services an intermediate market which cannot afford to buy at the lowest quartile, but has incomes too high for housing benefit. It is also meeting the short-term lifestyle needs of the population.
Research by GMAC-RFC (2005) found that 61% of 18–34 year old tenants saw renting as a way to allow them to live in a better area, and access a better quality of accommodation, than if they bought a home. The private rented sector provides this group with the freedom and flexibility to move around and the opportunity to leave the family nest without the burden of home ownership.

The stock market crash and, more recently, the pension crisis have contributed in a widening of the private rented housing portfolio to include more individual, small-time owners, not just large company investors. The quality of the stock demonstrates an equal amount of variety. As a largely unregulated sector, it suffers from pockets of low standards. The recent introduction of Houses of Multiple Occupations (HMO) has made an effort to redress this situation, but there is still a long way to go.

Concerns have been raised that radical moves to regulate the private-rented market could reduce profits and drive investment abroad. This shift of market occurred when the regulation of the insurance market was increased and partly contributed to the appeal of the housing sector as an investment opportunity. The average national cost of bringing a private sector home up to current standards is £7,780, but increased regulation could increase this dramatically.

Greater regulation at the low end of the market to improve standards will go some way to ensuring that the private rented housing sector supply provides a good quality standard of living and contribute positively to sustainable communities.

7. The Priorities and Effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in Responding to Housing Needs

The target-driven nature of the Housing Corporation makes it adhere to strict funding rules and is therefore highly inflexible. Nevertheless, it is effective even if it does not lend itself to dealing with new or innovative proposals, or increased productivity standards. For example, in the Lake District National Park there are areas where the current cap on grant rates makes it impossible to provide new affordable homes for local people.

English Partnership, in contrast, draws strength from its holistic, outcomes-led approach to regeneration, using new and bespoke delivery models to provide affordable housing and wider regeneration.

The proposed merger of these two bodies offers an opportunity to bring together, under one roof, the funding, land holdings and regeneration expertise to support innovation and new models of delivery which would provide a more holistic response to the housing needs and a wider goal of creating sustainable communities.

The effectiveness of the Regional Housing Boards is yet to be fully assessed. It is, however, anticipated that they can play a key role in agreeing regional priorities and effectively targeting the relevant resources. The merger of housing and planning in the Regional Assemblies should increase opportunities for lobbying on housing issues and strengthen the strategic decision-making process of planning and housing investment.

In sum, all the bodies responsible for housing need to operate on a quicker, more streamline and inter-related basis. Frequent duplication of work is resulting in increased competition of resources and confusion in the market place.

8. The Role and Effectiveness of the Planning System, Including Section 106 Agreements in the Provision of Rented Housing and Securing Mixed Tenure Housing Developments

The planning system, and in particular the use of section 106 (s 106), is at present the best means available for capturing the economic value of developments for social housing provision and mixed tenure developments. Nonetheless, inconsistent application of s 106 agreements has led to mixed results when attempting to deliver the homes that are needed. At present, too much emphasis is placed on outputs—in terms of the number of homes required to tackle the supply issue and satisfy demand—and insufficient emphasis is placed on outcomes—such as the delivery of a more sustainable housing strategy drawing together social, environmental and economic factors to create mixed communities. Any action in this area must examine the condition of properties, the desirability of communities, the mix and quality of estates, and try to balance people’s aspirations with their need.

Section 106 agreements can be an effective tool for capturing the economic value of development but the effect is less pronounced in those areas where land values are not especially high. For example, in the North s 106 agreements provided an average of only 38% of the total affordable completions in 2004–05, and 36% in 2003–04. Where rented schemes do not stack up financially and the local authority can achieve a higher price from private developers for land without a percentage of social housing, there is little incentive for the local planning authority to insist upon s 106 agreements. There are also examples of local authorities using sums from developers in order to achieve other strategic objectives. To address these problems, the RICS would like to see incentives which are not just based upon numbers but also upon quality, housing need and improved infrastructure.
Whilst there are a number of innovative examples of delivery models which make best use of a combination of public and private assets (for example joint ventures and special purpose vehicles), the RICS would encourage greater engagement with the private sector. This would increase the opportunities for capturing the value of increased land values and thus further encourage delivery of social housing.

In sum, clarification is needed over how s 106 agreements should be applied, but this should be accompanied by further clarification of the Government’s future plans for this area (ie will planning-gain supplement be introduced, and if so, what form will it take?). Existing inefficiencies must be addressed and local authorities should be incentivised to deliver a fast track system which allows a quicker reaction to changes in need and demand. In conclusion, more use can be made of the planning system to stimulate demand, drive up standards, contribute to innovations in design, enhance energy efficiency and promote sustainable methods of construction.

9. The Effectiveness of Housing Benefit as a Means of Providing Access to Rented Housing to Those in Need

Housing benefit should act as a means of providing access to rented housing to those in need. In theory, it does increase the ability to access housing for those who would not otherwise be able to afford to rent and also provides security and confidence to housing providers and lenders.

Unfortunately, the current system is costly and highly administrative and there are many unintended negative consequences. Significant changes need to be made to streamline the system to make it more effective and user-friendly. However, 15% of the population is on some form of housing benefit so the magnitude of risk and the potential fall-out that could occur if any alternative did not work have hampered any moves to-date to update it.

10. The Impact of the Operation of Council Tax Benefit on the Affordability of Rented Housing

Council tax benefit should positively impact on those who have access to it, but as take-up is low and the system used to calculate entitlement does not allow for a sliding scale of affordability, it leaves many on low incomes facing high council tax bills. In addition, the system is complex and a few people do not understand it. Figures suggest that only one in four pensioners fail to apply and Help the Aged argue that the problem is large and growing.

This evidence would suggest that, operationally Council Tax Benefit does not impact highly on affordability, but research by the New Policy Institute in 2005 concluded that if it were better presented and administered and had higher levels of take-up, then it would act to protect people on low incomes from bills they cannot afford (The Impact of Council Tax on Older People’s Income).

If the current system is to remain, we recommend that the Government introduce targets on the take-up of council tax benefit, review the income thresholds and provide services to support people to make claims.

Memorandum by Shelter (SRH 31)

Shelter welcomes the Select Committee’s new inquiry into the supply of rented housing. This evidence is based on the experience of our front line staff providing information, advice and advocacy to over 170,000 people every year, and our policy and research work on social housing, private rented housing and Housing Benefit.

The level of public funding required to meet social housing needs

Shelter welcomes the recommendation in the Committee’s recent report on the Supply and Affordability of Housing, endorsing our campaign to persuade HM Treasury to commit to deliver at least an additional 20,000 social rented homes above existing annual levels of output in next summer’s Comprehensive Spending Review.99 We are confident that the Committee’s support will be extremely helpful in securing this objective.

An increase in output along these lines—delivering 50,000 new social rented homes annually—is the only way to ensure that sufficient properties are built to keep pace with the Barker Review’s assumed rates of acute newly-arising need and ensure that the Government’s very welcome commitment to halve the numbers of homeless households trapped in unsuitable temporary accommodation is met by 2010.

We estimate that this programme of investment could help ensure that 150,000 fewer children are living in bad housing by 2011: a key milestone on the road to ending bad housing for the next generation, in line with the Government’s welcome commitment to end child poverty by 2020.

99 Affordability and Supply of Housing—Recommendation 10 (ODPM Select Committee, June 2006).
Recent analysis undertaken in partnership with the National Housing Federation (NHF) and Chartered Institute of Housing (CIH), suggests that constraints on construction skills and development expertise will make a phased approach to implementing this level of output necessary. We, therefore, propose that social housing output targets be set at 46,500 in 2008–09, 50,000 in 2009–10 and 53,500 in 2010–11.

We estimate that this increase in the Housing Corporation’s National Affordable Housing Programme (NAHP) would cost around £1 billion extra a year. It has subsequently become clear, however, that greater use of section 106 planning obligations and the decision to allow private developers to bid for Social Housing Grant have combined to deliver some efficiency savings that might reduce the required level of additional public expenditure.

The relative priority being given to social rented housing as opposed to shared ownership and other forms of below-market housing

Shelter supported the phased withdrawal of Mortgage Interest Relief, as it skewed the private market in the direction of home ownership. However, this Government’s policy of using public money to help people into home ownership effectively amounts to the restoration of home ownership tax relief, but only for those lucky enough to secure a place on one of the schemes. As the committee’s previous report clearly demonstrated, much of the extra investment in new housing since 1997 has been focused on these Low Cost Home Ownership (LCHO) schemes.

Shelter believes that, alongside the continuing loss of council stock through the Right to Buy, the failure to invest in new social rented housing is the main cause of the record numbers of homeless households trapped in temporary accommodation and the chronic shortage of family-sized homes for overcrowded families. The Government’s decision to stick to its predecessor’s spending plans in the first two years after 1997, and then focus extra spending on shared ownership schemes and on HomeBuy equity loans, has resulted in record low numbers of social housing being built.

Concentrating these schemes on key workers, rather than existing tenants who, if they move into a shared ownership property, would at least free up a letting for someone else, has served only to compound the adverse impact of this investment decision. For example, in December 2003, ODPM Ministers intervened in the investment allocations process in London as well as the East and South East regions. The then Housing Minister, Keith Hill MP, insisted that the London Housing Board direct a greater proportion of its 2004–06 funding allocations away from new social housing and towards extra LCHO schemes for key workers.

Following criticism of this intervention, ODPM required the London Housing Board to allocate a minimum of £403 million from its budget to LCHO schemes. Similar requirements were set on the East of England and South East Housing Boards. With shared ownership tracking market prices, it was inevitable that these schemes would increasingly be unaffordable to most teachers and nurses in high cost areas. DCLG was recently forced to introduce a “cascade mechanism”, whereby unsold key worker housing is marketed to a wider group of people. While obviously benefiting those who buy them, it is questionable whether this is the best use of public subsidy.

While Shelter recognises the difficulty of recruiting and retaining key workers, we are extremely concerned that funding was shifted away from housing homeless and overcrowded households in acute need towards helping people get on the housing ladder. We strongly support the committee’s previous recommendation that a limit be placed on the proportion of the Housing Corporation’s funding that should be spent on LCHO schemes. We also hope that, in future, DCLG will allow the Regional Housing Boards to establish an investment strategy based on an assessment of housing need.

The geographical distribution of subsidies for affordable housing

In an effort to reflect the extent of acute housing need between regions, the Government has shifted the Housing Corporation’s investment programme in new housing towards the south of England since 1997. While the level of funding has increased, the proportion spent outside the south of England has declined. The North East, North West, Yorkshire and Humber and the West Midlands regions have, however, benefited from substantial additional capital funding through the Housing Market Renewal Programme. This is designed to regenerate areas experiencing low demand and abandonment, and is not available in the South of England. Shelter supports this targeted approach to capital investment in each region.

Regional Housing Boards, and their successor, regional housing and planning bodies (RHPBs), can play a key role in managing and ensuring delivery of the social rented homes required. For instance, Regional Housing Strategies and Regional Spatial Strategies should incorporate targets on affordable housing provision and the proportion of social rented housing. They should also consider the spatial dimension of housing need, including the balance between urban and rural provision. RHPBs should also support local authorities in their region maximise the amount of affordable housing secured through section 106 agreements.

100 Ibid, Chapter 3.
101 Ibid, Recommendations 11 and 12.
Table 3 below, sets out Shelter’s estimate of how many social rented homes our proposals could deliver in each region. This is based on information available in 2005 from regional housing strategies, the Department for Communities and Local Government (DCLG) estimate of regional investment splits and past trends.

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated annual output of social rented units in 2007–08</th>
<th>Shelter recommendations for additional annual output of social rented units 2008–11</th>
<th>Additional cost (£millions pa)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>1,000</td>
<td>670</td>
<td>38</td>
</tr>
<tr>
<td>North West</td>
<td>2,000</td>
<td>1,330</td>
<td>4</td>
</tr>
<tr>
<td>Yorkshire and Humber</td>
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<td>1,170</td>
<td>55</td>
</tr>
<tr>
<td>West Midlands</td>
<td>2,000</td>
<td>1,330</td>
<td>66</td>
</tr>
<tr>
<td>East Midlands</td>
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<td>1,170</td>
<td>50</td>
</tr>
<tr>
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<td>102</td>
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<td>London</td>
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<td>South West</td>
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<tr>
<td>England</td>
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<td>20,000</td>
<td>1,254</td>
</tr>
</tbody>
</table>

The future role of local authorities as builders and managers of social housing

Shelter welcomes the role that local authorities have played in building and managing decent quality affordable accommodation for those on low incomes. While many commentators are critical of the kind of homes councils built, particularly in the 1960s and 1970s, it is clear that this was in many ways driven by subsidy arrangements that encouraged high-rise development. Similarly, the much-derided “monolithic tenure council housing estates” have also provided a generation with much better homes than their parents enjoyed, and offered many a springboard into better employment and home ownership.

The Right to Buy has already introduced diversity of tenure within these council estates. Unfortunately, the loss of around one-third of the council housing stock as a result of the Right to Buy has also contributed to the desperate shortage of social housing for those in greatest need. The Housing Act 2004 introduced some welcome reforms to the Right to Buy, extending the Qualifying and Discount Repayment periods (during which a proportion of the discount must be repaid if the property is sold on). These have helped limit the exploitation of the Right to Buy by property companies.

In May 2003, the maximum Right to Buy discount available to council tenants in 41 local authorities in London and the South East was reduced to £16,000. This has ensured a much greater capital receipt from each property sold, and therefore more funding for reinvestment in replacement homes. Shelter believes that other areas would benefit from a similar approach. As a first step, we hope DCLG will be persuaded to update the “Affordability Index” developed in 2003 to identify which authorities should be subject to the reduced £16,000 discount.

Historically, Shelter’s key concern with local authority management of their housing stock has been the insufficient degree of priority given to homeless households in the allocation of new lettings. The Homelessness Act 2002 has substantially repaired the holes torn in the legal safety net by the Housing Act 1996. While we do have continuing concerns in some places about homeless people being denied their rights, we recognise that most councils do accept a duty to those who are homeless and in priority need, and offer those households “reasonable preference” in the allocation of accommodation.

The effectiveness of different social housing models including traditional local authority housing, ALMOs, housing co-operatives and housing associations

Shelter’s over-riding concern is that those on low incomes in housing need should be able to access accommodation that is affordable, decent quality and offers some security of tenure. We recognise that in the past, local authority housing on a secure tenancy was the only way to guarantee that these conditions were met. Today, however, both housing associations are able to offer similar safeguards, and so we believe that they can be similarly effective in providing accommodation to those on low incomes.

Much attention currently focuses on plans to bring all social housing up to the Decent Homes Standard by 2010. Like the Committee, Shelter strongly supports this ambitious target, and the substantial increase in investment for major repairs by local authorities that has accompanied it. It is clear, however, that the cost of tackling the backlog of disrepair in some areas is so great, that local authorities have little prospect of achieving the Decent Homes Standard from their own resources. Shelter recognises that transferring stock to a RSL can open access to the investment needed to fund those capital works. Where a transfer takes place, DCLG and the Housing Corporation must ensure the authority guarantees that tenants’ rights are protected.
Shelter also supports the Arms Length Management Organisation (ALMO) approach. In an increasing number of authorities, the drive to reach the required Two Star rating has resulted in improvements in the quality of housing management services. We hope DCLG will require ALMOs to continue to improve their performance, particularly where they have responsibility for homelessness services. The best ALMOs also offer tenants and leaseholders more formalised opportunities for genuine participation in the decisions that affect their estates. We believe that RSLs and those councils retaining direct control of their housing stock should be encouraged to adopt this approach.

The role and effectiveness of private rented housing in meeting housing needs

The private rented sector (PRS) is home to more than two million households. Following deregulation in 1988, the majority of private lettings are now made on Assured Shorthold Tenancies (ASTs)—which offer little or no security of tenure. Tenants include many mobile young professionals, renting before they move into owner occupation, but most others are low income households unable to access social rented housing.

The age-profile of the stock itself is much older than other tenures. More than 50% of properties date back to before 1919. Conditions are often extremely poor. Half of private tenants live in homes that do not meet the decent homes standard. There is little evidence of progress being made towards the Government’s target that 70% of “vulnerable” tenants in the private sector should live in a decent home by 2010.

Housing Act 2004

The reforms introduced in the Housing Act 2004 will help raise standards at the bottom end of the PRS. The Housing Health and Safety Rating System (HHSRS), while complex, should ultimately allow more consistent enforcement against landlords of properties posing a risk to their occupants; and the licensing scheme for Houses in Multiple Occupation (HMOs) will ensure that Environment Health Officers spend less time tracking down HMOs and more time taking action to improve their conditions and management.

Shelter shares the Committee’s concerns that the mandatory licensing scheme only applies to properties with three or more storeys and five or more occupants. We hope to persuade DCLG to extend this threshold to include smaller HMOs when it is reviewed in 2007 and would welcome the Committee’s continued support on this point. In the meantime, we hope that the Secretary of State will look favourably on applications from authorities hoping to implement their discretionary powers to extend their licensing scheme to smaller HMOs.

The Committee’s support for the introduction of a Tenancy Deposit Scheme (TDS) was instrumental in ensuring that Ministers included this measure in the legislation. DCLG was originally committed to introducing the scheme in October 2006. Latest reports indicate that this legislation will now not come into effect until next spring. DCLG has also decided against implementing the compulsory Home Information Packs required in Part 5 of the Act. Shelter believes that further delays in introducing TDS will seriously undermine progress in raising standards in the PRS and so we hope the committee will recommend that its commencement date is not extended beyond April 2007.

Reform of the Wider Private Rented Sector

It is widely agreed that a bigger, more effectively managed PRS could play a much greater role in meeting a range of housing needs than it does currently. However, Shelter believes that a new settlement for the sector is essential before it can take on this role. This should be based on a two-pronged approach of increasing investment and driving up standards through improved regulation.

HM Treasury has already announced plans to introduce Real Estate Investment Trusts (UK REITs), a new tax-transparent vehicle to increase institutional investment in the sector. UK REITs will certainly be attractive for those investing in commercial property. However, it is not yet clear how effective a vehicle they will prove to be for investment in residential property.

Most commentators believe that buy-to-let investment by individuals rather than corporate investment will continue to drive growth in the sector. While these types of landlords are more likely to engage the services of accredited professional lettings agencies than more traditional small landlords, there is no doubt that bad practices and conditions are still prevalent. Without further reforms these will continue.

Shelter recognises that a return to the pre-1988 situation is unlikely. However, reforms in other EU countries do provide a model for longer-term reform in the UK. In the meantime, we are convinced that a package of fiscal incentives to encourage landlords and letting agents to sign up to minimum management standards, greater security of tenure and link rent increases to inflation would both make private renting more attractive, and help ensure that tenants in the private sector are guaranteed a decent home. We hope the committee will encourage DCLG to take forward this approach.
Homelessness

Shelter supported the strategic preventative approach to tackling homelessness enshrined in the Homelessness Act 2002. We also welcome the target to halve the number of homeless households trapped in temporary accommodation by 2010. However, pressure on local authorities to reduce the number of those accepted as homeless has encouraged some to press vulnerable people to accept an offer of an AST in the PRS instead of waiting in temporary accommodation until a social sector property becomes available.

We welcome the advice given to local authorities in DCLG’s recent Code of Guidance on Homelessness, making it clear that, while it is acceptable for councils to offer homeless people assistance to secure accommodation in the PRS, it is not acceptable to prevent them from formally pursuing a homelessness application. We hope ministers will take decisive action where councils are found to be preventing homeless people from submitting an application and would welcome the committee’s support on this issue.

The priorities and effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in responding to housing needs

Housing Corporation

Shelter welcomes the increasingly positive role the Housing Corporation is playing in improving the performance of Registered Social Landlords and delivering good quality social housing for those in greatest need. We are particularly impressed by the Corporation’s leadership in encouraging an increase in the proportion of family-sized three- and four-bedroom homes to tackle the problem of overcrowding in London and the wider South East. We do, however, believe that the Corporation could do more to ensure that housing associations play a greater role in helping tackle homelessness.

English Partnerships

Shelter recognises that English Partnerships has taken on a new role in recent years, co-ordinating development under DCLG’s Sustainable Communities Plan. We understand that its agenda and approach is driven by DCLG. However, we are concerned that English Partnerships appears to have only a limited remit and interest in delivering social rented homes for those in greatest need.

For example, its London-Wide Initiative is designed to create a development mechanism to deliver 15,000 new affordable homes. However, all of these will be sold through LCHO schemes. Local authorities are left to secure whatever social rented housing they can from the developer through section 106 agreements. Similar limitations apply to the First-Time Buyers Initiative.

Shelter is concerned that this focus undermines the Government’s aim of creating mixed and sustainable communities, particularly in those areas with thousands of homeless and overcrowded households. We hope the Select Committee will encourage Ministers to ensure that English Partnerships works to ensure the delivery of social housing as well as LCHO opportunities for those aspiring to home ownership.

Regional Housing Boards

Shelter welcomes the introduction of Regional Housing Boards, and particularly the requirement to engage stakeholders in drawing up Regional Housing Strategies. While there have been continuing problems with DCLG intervention in the allocation of funding for housing investment (see above), the direct involvement of local and regional politicians is beginning to act as an effective counterbalance to the centrally-driven agenda promoted by Government Office representatives. We hope that this increasing local and regional influence will continue, and that the Regional Housing Forums will continue to be used to inform the judgments of merged Regional Housing and Planning Boards.

The role and effectiveness of the planning system, including section 106 agreements in the provision of rented housing and securing mixed tenure housing developments

Shelter believes that the planning system must be used to its full potential to supply social housing on the same sites as private developments, to ensure the creation of inclusive, mixed and sustainable communities. Research undertaken by the Centre for Housing and Planning Research found that around 16,000 affordable homes were built in 2004–05 as a result of Section 106 agreements “planning gain” contributions secured from developers under Section 106 agreements. However, only a quarter of those (4,000) did not require public subsidy, and the vast majority of those were LCHO rather than social rented housing.

The Barker Review proposed a central development tax—the Planning Gain Supplement (PGS). Shelter recognises that housing development of the scale required in the Growth Areas in particular requires substantial investment in regional infrastructure, and that Section 106 only really delivers at a local level. Shelter is not, therefore, opposed in principle to a PGS.
We are, however, concerned that it could significantly restrict the ability of better-performing local authorities to negotiate planning gain through Section 106 agreements. In particular, a number of local authorities in London are becoming increasingly proficient in securing a high proportion of social housing in new developments, helping creating mixed and sustainable communities. DCLG is actively promoting these examples of best practice. It is essential, therefore, that HM Treasury ensures that a PGS would not undermine these advances before pressing ahead with measures to replace the current system.

The effectiveness of Housing Benefit as a means of providing access to rented housing to those in need

Housing Benefit helps nearly four million households meet their rent commitments. Around a quarter of those households include a claimant who is in work. Approximately 800,000 claimants live in the private rented sector.

The HB system has been dogged by problems over the years. Increasingly, restrictions have limited the payments claimants are entitled to, creating significant shortfalls for many between their benefit and the rent they owe. Along with prolonged delays in processing payments, this has discouraged many landlords from letting to HB claimants. In some areas, this means it can be virtually impossible for some claimants to access private rented accommodation.

Housing Benefit

The current housing benefit system works on the principle of paying full rent for people on low incomes. While this is broadly the case for those living in the social rented sector, the reality in the PRS is that HB is restricted through:

— Local Reference Rent restrictions (rent officer determines if the rent is reasonable compared to the local area average).
— Significantly and Exceptionally High Rent restrictions (rent officer determines if the rent for the individual property is reasonable).
— Single Room Rent (young single people aged under 25 years receive only the “average” for a single bedroom property with shared facilities).
— Non-dependant deductions (adult children aged over 16 years are expected to make a significant contribution towards the rent).

Rent Service returns for 1999 indicated that 70% of private tenants had their benefit restricted. The average restriction was £19 a week. The impact of the Single Room Rent (SRR) restriction for young people was the most severe, with an average shortfall of £34 a week. Non-dependants (adult members of a household) have to contribute significantly to the rent; the lowest deduction is £7.40 a week for non-dependants not in work.

The Rent Officer (Housing Benefit Functions) Order 2001 amended the way the Local Reference Rent (LRR) restriction is calculated, enabling the Rent Service to reduce the number of “localities” used to determine the LRR. Neighbourhoods with high property values can now be grouped with those having lower private sector rents, resulting in an increased deviation between actual rents and the average. This results in severe shortfalls for many tenants. In Stockport, for example, the consolidation of Rent Service areas into a single “locality” resulted in hundreds of tenants experiencing shortfalls of up to £40 a week in their HB.

Although there has been some recent improvement, HB administration remains problematic in many areas. Only 50% of applications in 2004–05 were dealt with within the target time of 36 days and the average time taken was still 46 days. The worst performing authorities took up to 143 days to process a new claim. Many tenants are in rent arrears before they realise that HB will not cover the full rent. The complexity of the regime of restrictions and deductions is a major cause of delay in the administration of new claims.

Local Housing Allowance

Part 2 of the Welfare Reform Bill currently before Parliament, includes legislation replacing the current HB regime for private tenants with the new Local Housing Allowance (LHA) regime currently being piloted in 18 local authorities.

Under the LHA, tenants know in advance how much they will be paid for a household of their size in their area. This is designed to persuade them to shop around for accommodation. Those who rent a property at a rent below the LHA, or who negotiate to reduce their rent below the standard allowance are entitled to keep the difference. Those who take accommodation at a rent above the LHA are required to make up the additional cost (the “shortfall”).

This new system scraps the “significantly” and “exceptionally high rent” restrictions. The level of the LHA will depend solely on the average rent for that type of property in the local area. This system is simpler and a little more transparent. The LHA retains lower levels of benefit for single people under 25, and the non-dependent deductions regime.
However, the new system also prevents tenants from choosing to have their rent paid directly to their landlord. Instead, tenants receive the LHA and are required to make arrangements for its payment with the landlord/letting agent. Only those tenants deemed “vulnerable” or who have experienced problems with arrears in the past are allowed to continue to have their landlord paid directly.

In most of the Pathfinders, the flat-rate itself has been more generous than the Local Reference Rent restricted HB that it replaced. As a result, many claimants have found that the shortfall between the benefit they receive and the rent they owe has either been reduced or has disappeared entirely. Others have been left with extra money in their pocket as a result.

Shelter believes that experience in the Pathfinder areas shows that some changes are needed to help ensure that the LHA reforms are successful when rolled-out nationally. We hope amendments will be made to the Bill, introducing better safeguards for tenants who might experience difficulty managing the LHA payments, and fall into rent arrears and face eviction and homelessness as a result. We also believe that the Bill should be amended to introduce much greater transparency in the way the LHA is set. We hope the committee will support these proposed changes.

Single Room Rent Restriction

The Single Room Rent restriction (SRR) was introduced in October 1996. It applies to single childless claimants below 25 years of age. It originally restricted a young person to a rent deemed to be the average for single-room accommodation with a shared kitchen and bathroom regardless of the accommodation actually occupied. This restriction has left thousands of young people facing rent arrears, financial hardship, eviction and homelessness.

The Labour Party and Liberal Democrats were both opposed to these plans from the outset. Peter Lilley’s plans to extend the SRR to all claimants up to the age of sixty were scrapped when Labour came to power. Changes were introduced to the way the SRR was calculated in July 2001. However, these have had little impact on the shortfall that young people face. Under the LHA Pathfinders, young people are entitled to a reduced “Shared Room Rate” of LHA. This uses a slightly more generous definition than the SRR. In some of the Pathfinders, this has led to a small increase in the benefit available to young people.

Shelter recognises that unemployed young people on benefits should not be better off than those in work. However, equally, we should not be prepared to tolerate a benefits system that denies vulnerable young people the opportunity of a stable home from which to find employment. Over 150 Members of Parliament have added their support to an Early Day Motion backing the Shelter and Citizens Advice campaign to persuade ministers not to carry these additional restrictions for young people over into the new LHA. Shelter hopes that the select committee will support this campaign.

Other Reforms

In addition, a number of important further reforms to the HB system are also necessary to improve the lives of low-income households. We hope that the Welfare Reform Bill will be amended to:

— Delete the provision introducing legislation to withdraw HB/LHA from those evicted for antisocial behaviour.
— Introduce a mechanism to uprate Earnings Disregards annually.
— Reform the Non-Dependent Deductions regime.
— End housing associations’ power to use the mandatory Ground 8 in possession actions for rent arrears.
— Strengthen the requirement on local authorities to make Interim Payments on claims not determined within 14 days.

The impact of the operation of Council Tax Benefit on the affordability of rented housing

Shelter has not undertaken research into the impact of the Council Tax Benefit system on the affordability of rented housing, and so we are not in a position to comment on this question.

Memorandum by Living Over The Shop (SRH 32)

There are three points I would wish to make:

1. (a) The Terms of Reference refer to “private and social rented housing”, but my major concern is the huge polarisation between these two groups, with little or nothing being provided at an intermediate level between the two. This is an issue which is seldom addressed, or even discussed, even though the difference in rent levels can be 100% or more in some towns. Mixed-tenure is indeed highly desirable but not if it only includes the very top and bottom of the market. Incomes are not polarised in this way, yet there is seldom consideration of the relationship between income and rent levels.
(b) Housing associations were originally set up to provide for this market, ie good quality rented housing for those on average incomes. Now that housing associations have been required effectively to take over the residual role formerly played by local authorities, there are no specific organisations providing for this group and reliance is being placed on the private sector.

(c) When I set up the Living Over The Shop initiative in 1989, I had intended to address the issue of intermediate housing, in parallel with that of the use of vacant commercial space. Despite the extent of potential from that source, little has been achieved because the enabling work has never been consistently or adequately funded. However, LOTS has demonstrated that, when the enabling process is funded, it can lever-in private finance by releasing the latent value of vacant space. I have long believed that the only efficient solution would be the creation of some kind of not-for-profit housing trust which would, in effect, take on the role housing associations originally played.

2. (a) Another major concern is the widespread use of the word “affordable”, and its use by different groups to have different meanings. The Terms of Reference muddy the water still further by referring also to “below-market housing”. What definition of each term is the Inquiry applying?

(b) If the word means anything at all, it means housing provided for sale or to rent at lower than the market rate. Recently, it has also been used to encompass various forms of hybrid, below-market housing, ie shared ownership and “low cost housing”, however that is defined and provided.

3. (a) I am also concerned at what I see is the over-reliance on the private sector to provide rented housing. Given that the sector requires to make a profit for its shareholders, the cost of any “affordable” housing is, in fact, added to the price paid by the buyers of the market housing, increasing prices for those homes and thus increasing polarisation still further.

(b) I also find it difficult to see how there can be a role for the private sector in managing rented housing other than, again, at the very top or bottom of the market. Apart from those landlords who are only interested in providing to tenants on benefit, and take little interest in either the quality of the housing they provide or the behavioural standards of their tenants, it is difficult to see how the private sector can provide without subsidy except at the top of the market.

Memorandum by Residential Landlords Association (RLA) (SRH 33)

EXECUTIVE SUMMARY OF EVIDENCE

1. Historically, the PRS has expanded since the passing of the Housing Act 1988, greatly assisted by financial institutions willing to provide funding (eg buy to let finance).

2. The current statutory regime provides stability but this would be threatened by excessive and unnecessary regulation.

3. The PRS provides accommodation in a flexible way, coupled with easy access for tenants.

4. A thriving PRS is vital to the wider economy as well as the housing market.

5. The PRS needs a choice of different types of accommodation as well as a good supply of accommodation, to flourish. Scarcity breeds problems in the PRS.

6. The PRS is under pressure due to increasing demand for residential accommodation generally.

7. The PRS must continue to be seen as an attractive and viable sector in which to invest with adequate returns.

8. The financial institutions play a vital part in providing the necessary funding.

9. It is important that investment in the PRS is encouraged in order to provide an increasing supply of different types of accommodation to meet different needs.

10. Taxation treatment should be the same as for traders.

11. In particular, Capital Gains Tax Rollover Relief should be available for landlords of PRS accommodation (as is already the case with holiday lets).

12. There should be zero rating for conversions/major refurbishment of residential accommodation (instead of the current complex rules under which a 5% rate applies in certain cases). There would then be neutral VAT treatment as between new build and conversions.

13. The RLA is concerned at the increasing regulatory burden on the sector.

14. The implementation of HMO licensing has been botched. Some local authorities are hostile to the PRS and are seeking to micro-manage it.

15. There is a perception that, as so often happens, regulatory attention will be focused on the good landlords whereas those who do not apply to be licensed would be left to carry on unaffected.
16. Licensing will result in increased rents and/or loss of accommodation. This is to meet the cost of licensing fees and the works required, which are often unnecessary anyway.

17. There is real evidence that accommodation is being lost already as a result of the imposition of licensing, especially cheaper accommodation.

18. Professional/responsible landlords will disinvest from the HMO sector.

19. There has been a failure by Central Government to provide the necessary guidance about the purposes of HMO licensing to create consistency, coupled with the lack of a Code of Practice, to set the standards required. There is a failure of co-ordination.

20. An extension of licensing through additional HMO licensing, or selective licensing, will have adverse consequences. Designating areas of low demand and/or anti-social behaviour where there are problems, will be the kiss of death. No one will want to live there, let alone invest in such an area.

21. The RLA considers that attempts at further regulation will cause even more problems for the PRS.

22. There needs to be a housing benefit scheme which provides the necessary financial support to the poorer sections of the community.

23. The Pathfinder rollout should mirror the trials which have already taken place: not be a different scheme. Paying tenants housing benefit rather than direct payments to landlords, means that many landlords now refuse to take housing benefit claimants as tenants.

24. Administration of housing benefit is still too slow/inefficient in the case of many local authorities.

25. Housing benefits should be paid in advance to mirror the way in which the private, non-claimant tenant pays.

26. Housing benefits must underwrite market rents, with a minimum amount of benefit being necessary to ensure that accommodation is provided which is kept in a decent state of repair.

27. The tenancy deposit scheme is a threat to the PRS and there is a serious danger that it will be introduced with inadequate preparation.

28. There should be a single regulatory body for fire safety in residential accommodation. Currently, both the fire-and-rescue authority and local authority can be involved. In any event, shared houses should be treated as being outside the scope of the fire safety order and are regulated by the 2004 Act.

29. The single room rent for young, single people should be abolished.

30. There needs to be a change of emphasis to promote a PRS with landlords who are professional and responsible. They need to be adequately trained.

31. The traditional way of regulation backed with criminal sanctions is not the way forward, although it needs to be reserved for the small number of bad landlords.

32. Instead, improved standards of management need to be encouraged. Accreditation schemes are an example of the way in which this can be achieved, together with a positive relationship between Central Government, local authorities, the PRS and tenants.

33. Tenants need to be regarded as consumers. It is they who ultimately suffer from excessive regulation.

What the RLA recommends

(a) A reduction in the regulatory burden on the PRS, as this is now increasing.

(b) A new approach to improving management standards within the PRS in place of the current trend towards criminalisation.

(c) Setting standards through a Code of Practice, instead of an ever increasing number of statutes, regulations etc. This would set out in simple terms what was expected of landlords/managers in the PRS.

(d) Effective, central guidance on the implementation of licensing to co-ordinate local authority actions.

(e) A risk-based approach towards housing conditions as envisaged by the 2004 Act rather than reliance on prescriptive standards.

(f) A level playing field for taxation so that landlords were treated as traders including CGT rollover relief.

(g) Conversions/refurbishments should be VAT zero rated.

(h) Holding back on any further licensing.

(i) Proper piloting of the introduction of tenancy deposits.

(j) A single enforcement authority relating to fire safety.

(k) Amending housing benefit procedures, including payment to landlords, advance payments, the abolition of the single room rent for young people and, as a minimum, underwriting the market rent for the locality.
1. **The Residential Landlords Association**

The Residential Landlords Association Ltd ("RLA") is one of the two National Landlords Associations with membership throughout England. The RLA represents private landlords in the private rented sector ("PRS"). Members have well in excess of 100,000 units of accommodation under their control. Although being a landlord is a requirement for full membership of the Association, many members also manage residential accommodation for others. Associate membership is open to others involved in the private rented sector, including local authorities.

Some members have significant portfolios but the RLA also has members with smaller portfolios. Members range from those who are involved on a full time basis to those who own properties on a part time basis, including those who have acquired properties under "buy to let" schemes. A considerable number of members are also builders and developers.

2. **Scope of the evidence**

This evidence is directed towards the role and effectiveness of the private rented sector in meeting housing needs and the effectiveness of housing benefit as a means of providing access to rented housing to those in need.

3. **The History of the Private Rented Sector**

Prior to the passing of the Housing Act 1988, the PRS was withering. This resulted from the rent controls which had been imposed by the Rent Act 1965 and the near impossibility of obtaining vacant possession due to statutory security of tenure. The PRS was contracting. There was no incentive to invest in repairs or improvements. The fiscal regime was also skewed against the PRS since, at that time, mortgage interest relief was available to owner/occupants.

The introduction of assured shorthold tenancies, as the result of the passing of the Housing Act 1988, meant that landlords were able to let their properties at a market rent, which was fundamental to the revival of the PRS. Its importance cannot be over estimated. As a consequence, the private rented sector has expanded. This process has been assisted initially by the introduction of the Business Expansion Scheme but, more significantly, by the willingness of financial institutions to provide funding through "buy to let". The popularity of this investment has been enhanced because of a perception that pension schemes do not currently provide sufficient return in the longer term.

The current statutory regime, which is endorsed by all political parties, means that the sector has stability, which has encouraged investment. This, in turn, has provided an increased supply of properties to meet a demand for rented properties. Recent developments have indicated that there could be a return to excessive regulations which will damage the sector.

4. **The place of the Private Rented Sector in the Housing Market**

The main advantages of the PRS are that it provides a flexible source of accommodation, coupled with easy access, compared with other forms of tenure. It also provides a wide variety of different types of accommodation to meet differing needs but, again, this is under threat due to burdensome regulations. Ease of access results because there are not the formalities and expenses associated with house purchase or the waiting lists, assessment of needs and priorities, associated with social housing providers. Entry into the PRS is simple in that, provided a property is vacant, a tenant can be signed-up, pay the first payment of rent and any associated deposit and move in. Allied with this is the fact that the PRS offers short-term accommodation to those who do not wish to make any long-term commitment. Once you are in social housing it can be very difficult to move because you cannot readily find an alternative property. If you purchase and wish to move then usually you have to resell.

A thriving PRS is vital to the wellbeing of both the economy and the housing market. It is fundamental to the health of the economy that, in a modern technological society, there is mobility of labour and population. People need to move to find work or to study. The PRS facilitates this. It was very difficult in the old days for someone moving to a new town to find rented accommodation, but this is no longer the case. Unlike 20 years ago when there were hardly any, there is now a proliferation of “To Let” boards indicating the variety of choice available to those who want to rent. Choice and a good supply of accommodation are vital ingredients for the PRS to flourish.

Those who want to rent in the PRS include:

- People on lower wages who are unable to access social housing.
- Those who want to rent by choice.
- Single people.
- People who move to obtain a new job.
- Immigrants and asylum seekers.
— Those who are separated from a partner or who are divorced.
— The elderly, perhaps because they want to realise capital from their owner/occupied property.
— Young people who cannot afford to buy because of rising prices.
— Those who are in between owning property.
— Students.
— Graduates who have moved to a new area for work and need to build up savings.

It is imperative, in the view of the RLA, that there be a wide variety of accommodation of differing types which is available for rent as well as the requisite quantity of accommodation. It is scarcity which breeds the problems in PRS.

Increasing population in the country, due at least in part to immigration, and smaller households/an increase in single-person households, mean that there is increasing demand for residential accommodation. This is manifested by increasing house prices. The expansion of the EU has meant that many new migrants arrive here to work and this is increasing the pressure on the housing market generally. They are the very people who want to rent. Frequently, they come for relatively short periods to earn money to send back home. The expansion of further/higher education has meant that there have been increasing numbers of students who have looked to rented accommodation whilst they study away from home. Young, single people often choose to rent and an increasing factor is the growing number of young people who simply cannot afford to get on to the housing ladder. It is vital that there is a buoyant private rented sector to meet the needs of all of these people who want to rent or often have no choice but to rent.

There is also a lack of sufficient provision of new social housing. Experience in the south east shows that essential workers simply cannot afford to purchase and need to be accommodated in the PRS.

The PRS has to cater, therefore, for what some call the “intermediate” sector. This is the segment of the market between those who cannot afford to purchase their own homes and those who rent but who need support from the State financially, usually through Housing Benefit.

It is imperative to recognise that the PRS will only flourish if the sector is seen as an attractive and viable investment. There must be an adequate return to service loan repayments, to repair and maintain property and to carry out any requisite improvements, as well as to show a sufficient profit. Although, of late, house prices have risen, historically there have been significant ups and downs, so this is a far from risk free investment. The return has to justify the investment. It is imperative that there is stability to maintain investor and lender confidence. One cannot divorce the PRS from those financial institutions, be they banks or building societies, who are prepared to provide the necessary funding to purchase properties. Since the 1990s, fortunately, financial institutions have taken a wholly different view of the PRS than they did in the past and they now recognise that it is a worthwhile sector of the housing market in which they can invest by providing funds to landlords.

In the view of the RLA it is extremely important that the PRS is encouraged to provide different types of accommodation to meet differing needs. The accommodation can range from one extreme: from very large houses down to bedsits, places in shared houses and hostel accommodation. Indeed, in some respects, the PRS is the main provider of certain types of accommodation such as shared houses for groups of young people and students and bedsit accommodation for single people. Over-regulation can prevent these objectives being realised.

5. Taxation

Landlords investing in the PRS are treated for income tax purposes as investors, not traders. Whilst the amendments made to Schedule A have alleviated many of the problems surrounding the treatment of expenses for taxation purposes, this tax treatment has serious implications for the PRS. Landlords are treated in a disadvantageous way in relation to any tax losses, in that these cannot be set off against other earnings, only set against profits from their letting business. The treatment of rental income as investment income (as opposed to trading income), however, has serious consequences in relation to capital gains tax (“CGT”). In particular, landlords cannot roll over gains if they re-invest. They, therefore, lose the ability to defer capital gains unlike other traders. This is a wholly anomalous situation in that those letting-out furnished accommodation for holiday purposes are effectively treated as traders and do qualify for deferral of CGT gains through roll-over relief. It seems something of a nonsense that someone who provides permanent accommodation is disadvantaged, as against someone who provides temporary accommodation for holiday purposes. The inability to claim CGT roll-over relief is seriously detrimental to the PRS. It means that portfolios are frozen. Experience shows needed major repairs/improvements are usually carried out when a property changes hands. Landlords are forced to hold on to properties because of CGT liabilities, but if they had the availability of CGT roll-over they would then sell. This enables portfolios to be diversified and developed as well as significantly increasing the likelihood of works/improvements being carried out. Furthermore, there would be a gain to the Exchequer in that Stamp Duty Land Tax (“SDLT”) would be paid when the property changed hands. Thus, the lack of CGT roll-over relief is counter productive. It means properties are not improved and that revenue is lost to the Exchequer by way of SDLT.
The other concern, in relation to taxation, is the lack of zero-rated treatment for VAT purposes when properties are converted or undergo major works. Many properties in the PRS lend themselves to conversion e.g. dividing up a large house into a number of flats. It is, again, wholly anomalous that in such a situation zero-rated VAT treatment is not available; whereas it would be available for new build. This also skewes the market. Whilst there are some circumstances in which a reduced rate of 5% has been obtainable in relation to certain residential conversions, the rules are complex and they still mean that some VAT has to be paid. Zero-rating of residential conversions/major refurbishments would enhance the provision of accommodation as well as making additional accommodation available.

6. Regulatory Burden

The RLA is concerned at the increasing regulatory burden affecting the PRS. The Housing Act 2004 has been a major milestone for the PRS. The implementation of HMO licensing has been botched. Local authorities have been cast adrift. Unfortunately, there is an inherent hostility on the part of environmental health officers to the PRS. Despite being told, quite rightly, by Central Government that 97% of the landlords were responsible, local authorities are embarking on a prosecution-orientated approach and wanting to regulate/control the minuitia of how licence-holders operate. Anecdotally, the take-up of licensing has only been 25% of the expected number of applicants. The perception of the professional/responsible landlords who have applied is that they are going to be treated as potential villains by local authorities. They are anticipating that the efforts of environmental health officers will be concentrated on them, rather than what they should be doing: namely, to seek out poor quality operators. Unfortunately, as always, the bad landlords ignore the system with apparent impunity and simply carry on enjoying a business advantage over those who play by the rules.

The RLA has consistently argued that licensing will result in increased rent payable by tenants to fund the cost of licence fees and the works required to comply with licence conditions, which are often excessive and unnecessary. Accommodation will be lost as a result. Unwarranted imposition of space standards, or the requirement of excessive amenities, will mean that much-needed accommodation is lost. Those needing cheaper accommodation will be priced out of the market. Landlords will convert bedsit type accommodation to self-contained accommodation, either increasing the cost of that accommodation or leaving to reduced bed spaces overall. Alternatively, properties will be converted back to single units, where possible.

A survey of letting Agents into the effects of HMO licensing, carried out by Residential Landlord and Fly 2 Let, has shown that 63% have seen landlords reducing the number of tenants in their properties so as to avoid crossing the licensing threshold. A third of agents have reported a rise in the number of HMO type properties being sold off. This will have major consequences because it provides much-needed accommodation at the cheaper end of the PRS.

The RLA’s concern is that the professional/responsible landlord will have had enough of this and will disinvest, leaving the way open to poorer quality landlords. They have the option of re-investing in commercial property.

The main failure is that there has been a lack of central guidance as to what are the purposes of HMO licensing, coupled with the lack of a Code of Practice to set the standards required. All the old latent hostilities on the part of environmental health officers towards the PRS have been re-ignited. There is a grave danger that an opportunity will be lost to enhance the professionalism/responsibility of landlords in the PRS.

Clear evidence is now emerging that, contrary to the intentions of Part 1 of the 2004 Act, Local Authorities are seeking to rely on their own prescriptive standards rather than adopting the risk-based approach that the Act now requires in respect of housing conditions. HMO licences are improperly being used in this way to deal with the conditions of properties, when licensing was meant to focus on the fitness of those involved and management standards

More information regarding the RLA’s concerns relating to HMO licensing and the Housing Act are attached in the RLA Briefing Paper No. 1, which has been circulated widely.

Meanwhile, we are facing a situation where local authorities want to extend by introducing additional or selective licensing, even though they clearly cannot cope with mandatory HMO licensing. In the view of the RLA’s selective licensing will be the kiss of death to an area where it is applied. It is an official statement that the area in question is an area of low demand and/or anti-social behaviour/problems are prevalent. Who would want to live, let along invest, in such an area? Responsible landlords and their supporting financial institutions will avoid such areas. In the current state of the housing market it is scarcely the time to impose measures which will, undoubtedly, lead to a flight of investors and it will be the responsible ones who leave first. In the opinion of the RLA any attempts at further regulation will cause even more problems for the PRS and there is an urgent need to re-think the way HMO licensing and other types of licensing are being introduced.
7. Housing Benefit

The RLA believes that it is vital for there to be a housing benefit scheme which provides the necessary financial support to the poor sections of the community to enable them to rent their accommodation. Often they have no choice anyway because social housing is not available to them. The proposed manner in which the Pathfinder Scheme will be rolled out to the rest of the country is of concern. It does not appear that the Government now envisage rolling out the same scheme as has been trialled through the pilot Pathfinder Schemes.

Importantly, the way in which housing benefits are paid to tenants, rather than direct to landlords, has meant that many landlords have ceased to take tenants who receive housing benefits. Unfortunately, it is still all too common to find local authorities who are dilatory and/or inefficient in relation to the administration of housing benefits.

It is vital that housing benefits underwrite market rents. Across the board the setting of rents by reference to a large area defeats this objective.

Housing benefits should also be paid in advance, to match the requirements imposed on private tenants who are not reliant on benefit.

The existence of the single room rent which means that young people are unable to find accommodation or are compelled to take substandard accommodation. If a landlord is providing accommodation at less than the going rate then he can hardly be expected to keep it in repair, let alone improve it. Young, vulnerable people suffer as a consequence.

There is a danger of a spiral of decline, in that the market rent can be driven down, particularly if housing benefits are assessed at too low a level. It is therefore important that housing benefits do recognise that that landlord does need a minimum return in order to be expected to provide the accommodation at all, as well as to keep it in good repair.

8. Tenancy Deposits

The introduction of the Tenancy Deposit Scheme is seen as a threat to the PRS. Whilst there may have been some research which suggests that deposits are unreasonably withheld, there has been no in-depth investigation of this issue. It is very easy for a tenant to say, when questioned, that his deposit is being withheld without justification, but if one were to investigate properly it could well turn out that the landlord in question was perfectly justified in withholding the deposit. As a result, the PRS now faces a new, large, bureaucratic scheme which is being introduced in a hurry, apparently with insufficient preparation. This has all the hallmarks of yet another scheme which will go wrong. The people who will suffer at the end of the day will be the tenants who will not be able to get their deposits back to pay a deposit on another tenancy.

Contracts to run the scheme will not be let until approaching Christmas but it is expected that the scheme will be up-and-running at the beginning of April. The scheme is being introduced without any kind of pilot trial. It will have to process a huge number of small transactions and has all the signs of a recipe of a disaster.

9. Fire Safety

The way in which fire safety in relation to residential accommodation has been handled is a classic example of complex regulations being introduced and considerable uncertainty about its implications. The introduction of the Fire Safety Order (the Regulatory Reform Order), in parallel with the 2004 Housing Act, has resulted in a lack of co-ordination regarding the fire safety aspects of residential and non-residential accommodation. In many cases there are now two regulators: the Fire-and-Rescue Authority and the Local Authority. There is uncertainty as to how the legislation affects one major segment of PRS—the shared house. The RLA advocates:

- One regulator only for all residential accommodation.
- Shared houses should be outside the scope of the Fire Safety Order, as they are already well covered by the 2004 Housing Act provisions.

10. The need for professionalism

The RLA advocates a PRS where landlords are professional and responsible. The RLA encourages landlords to undertake training. Over the years, the way in which Central and Local Government has approached the PRS is to enact regulatory provisions, backed up by criminal sanctions. This approach has been perpetuated by the Housing Act 2004 in many respects.

Unfortunately, the Government has failed to get across the message that the purpose of the 2004 Act is to adopt a risk-based approach and to improve standards of management and guidance. Insufficient resources have been provided to implement the Act, as well as a lack of explanatory material/sufficient training for those involved. Unfortunately, as with so much in life, it is a matter of perception. If landlords
are potentially criminalised and tarred with the same brush as the few rogues (which one finds in every walk of life), responsible investors will avoid the PRS. Likewise, they will do so if the sector is over-regulated and those already in the PRS will leave it.

What is needed is a whole new approach to the way in which the PRS is regulated. A co-operative approach between landlords, Central Government, Local Government and tenants is required. Criminal sanctions need to be reserved for the few bad landlords. The fact that this approach can work has been shown by the way in which accreditation schemes have flourished in the last 5 years or so. On the other hand, excessive regulation is ultimately passed on to the tenant as the consumer, either by increased rents or reduction in the amount of accommodation (or both).

Tenants need to be treated as consumers and the best way of achieving this is by promoting a well-regarded, professional PRS, coupled with a good supply of suitable accommodation. Only if the economics are right and the burden of regulation is reduced can this result.

Memorandum by Fordham Research Ltd (SRH 34)

BACKGROUND

Fordham Research is a long standing research consultancy, which started life in the late 1980s advising Councils in respect of planning gain. When affordable housing became a “planning gain” item in the early 1990s, the firm began carrying out Housing Needs Studies (HNS) and, more recently, Housing Market Assessments (HMAs). These have now been produced for a very large number of Councils or groupings of Councils. Reflecting the firm’s background, we have over the years gained a wide experience of the policy implications arising from the analysis of market and affordable needs, quite a bit of it at the “sharp end”, in Local Plan Inquiries, or appeals.

DEFINING AFFORDABLE HOUSING

Housing Needs Studies were designed to identify local housing needs. There are usually limitations to what can be obtained with a sample survey in terms of small area detail, but the key output has normally been to identify the amount and nature of the need for affordable housing, so as to underpin the policies and practice of securing affordable provision from developers via Section 106.

Defining “affordable housing” is a key step to this. Previous planning guidance defined it, in principle, as housing below what could be provided in the market, and left Councils to define this locally. It is this local operational definition of affordable housing that is crucial, since it determines whether what is offered by developers is actually going to help households who would not otherwise be housed. Unfortunately, many, perhaps most, Councils have failed to produce a meaningfully operational definition.

A FUNDAMENTAL ISSUE

This business of definition may seem a somewhat detailed point; however, it is a fundamental one. The fact is that developers and landowners are, generally speaking, not benevolent organisations. They will naturally seek to minimise the financial impact of any affordable housing they provide. Because the affordable housing definition has been rather slippery, this can be exploited to deliver housing in a form which is not affordable in any meaningful sense.

It seems to us that:

1. Affordable housing must cost less than the cheapest outgoings at which second-hand property in reasonable condition can generally be obtained in the area. Historically, this normally meant basic, sale housing, but as house prices have risen so much, in most parts of the country it now means privately rented.

2. The affordable cost, as defined above, must be specific to each size of property—1 bedroom, 2 bedrooms, and so on.

(1) is important because new build housing for sale normally costs at the very least 35%, more often 45%, more than basic, sale housing, which in turn can now cost 10–40% more than privately rented. It is therefore absolutely fundamental that affordable housing is defined in terms of the cost of second-hand market housing and not new build price. Otherwise developers can offer to discount the new build price by 5% and claim that the resulting accommodation is “affordable” when it is not.

(2) is important because the Council will not wish to be offered a 1-bed unit at a 3-bed affordable price. Unfortunately, a lot of the available secondary data (eg from Land Registry) is not size-specific, and various devices will have to be used to address this difficulty. As a result there often isn’t a clearly defined X bedroom affordable level, leading to the above. Fordham Research does not rely on secondary data on prices, but carries out a local market survey.
We have constantly endeavoured to get these points across in planning inquiries (more especially, the first point) and also, as opportunities arise, to the Department. However, they do not appear, as yet, to be generally accepted. For instance, the latest draft guidance PPS3 seems to give the green light to using lower, quartile house prices, with no size-specific element.

**Balance of Social Rented and Other “Below Market” Housing**

Whilst rigorously defining the upper limit of affordable housing essential to getting genuinely affordable housing from developers, it also has a more general impact for the Committee’s current inquiry, i.e. upon the appropriate balance between social rented and other tenures such as shared ownership. This is an obvious point really: the lower the affordable threshold, the more that social rented dwellings come to dominate the numbers of households who can be assisted.

The significant purchase element in “new build” shared ownership means that this tenure suffers from the “new build price” problem described above. We have always found, when we looked at the local situation, that new build shared ownership offered at a typical 50% average share struggled to produce housing which was appreciably cheaper in outgoings than the lowest cost of second-hand sale housing. With the price inflation of recent years this has become even more difficult, as market rent became relatively cheaper and, hence, came to represent the affordable threshold.

We would not suggest that shared ownership has no point, or for that matter no market. Unless it is down at a 25–30% share, it is just difficult to produce it at any cheaper, lower outgoings, size for size, than private-rented housing in reasonable condition. It may well still attract purchasers, but they could have secured a market solution in the area somewhere, though that solution may not involve an ownership element. It also has a role to play for households with a significant amount of equity, but comparatively modest income; for instance, a party in a marriage breakup.

If Government wishes to promote home ownership to people needing homes, who would otherwise be able to rent, it is better that this is made an explicit objective. At present, shared ownership and other home ownership solutions are being passed off as affordable, when in reality they quite frequently are not, and at the cost of weakening Councils’ ability to secure genuinely affordable housing in other cases.

The term “intermediate housing” has come to be used to mean affordable housing priced at outgoings above the level of social rented housing. This category suffers in just the same way from the problems described above, of a poorly-defined upper boundary.

We recently coined the term “usefully affordable housing” in order to describe, in a Planning Inquiry, housing that would be made available at outgoings appreciably below the affordable limit, as we sought to define it above. The outgoings for such housing would have to be appreciably less than the threshold for it to be “useful”, as otherwise such housing could only meet a vanishingly small proportion of housing need as defined by that threshold.

There is clearly a role for such “usefully affordable housing”. However, experience in a large number of HNS and HMA studies suggests it is normally going to meet only a minority of need—perhaps typically 10–30%.

**Affordable Housing Provided Through Section 106**

So far, Section 106 affordable housing has been provided both with, and without, grant support. Increasingly “no grant” has become the default assumption. Where social rented housing is provided, with only partial grant or no grant at all, this has clearly improved the supply of affordable housing. Where something else has been provided, it has quite often not been “usefully affordable”.

**Is “Unaffordable” Housing Useless?**

We have sought to establish that “unaffordable” housing provision—housing made available at below its open market price but above the cost at which the cheapest homes in reasonable condition can be obtained (whether rented or purchased) locally—cannot directly help households in housing need, on our understanding of what that means. The Committee may infer that it is therefore useless. However, that is not the case. All housing which is made available at outgoings towards the bottom end of the market will increase the supply of such housing, hold down the price, and, hence, help to reduce the affordable threshold. In that sense it is of assistance. However, the available supply would have to increase significantly to make much impact. So the effect may be quite modest. Requiring developers to build more modest, basic, cheaper housing—a market from which they have largely withdrawn—might have a greater impact, but would face exactly the same sort of definitional issues as we described above.
THE ROLE OF PRIVATE RENTED HOUSING

If affordable housing is defined as we have suggested, then in most parts of the country it is cheaper than the cheapest, locally available, private-rented housing in reasonable condition, size for size. This means that private rented housing cannot help unless it is made available either:

1. at a lower rent than this; in which case one would expect that it was not in reasonable condition.
2. at an equal, or higher rent, with housing benefit assistance.

In our view: (1) is of limited relevance; (2) will depend upon the relationship between the minimum rent we have identified through out market survey and the “reference rent” set by the local Rent Officer. The reference rent determines the ceiling rent for which housing benefit is eligible to be paid. There may only be, at best, a very narrow window between the two levels.

Memorandum by the Council of Mortgage Lenders (CML) (SRH 35)

INTRODUCTION

1. The Council of Mortgage Lenders (CML) welcomes the opportunity to contribute written evidence to the inquiry into the supply of rented housing initiated by the Communities and Local Government Committee. The CML will be pleased to attend the Committee to provide oral evidence if called.

2. The CML is the representative trade body for the residential mortgage lending industry. Its 156 members currently hold over 98% of the UK mortgage market. CML members lend across all tenures. In addition to lending for home ownership, members have, across the UK, lent over £84 billion to the private rented sector (PRS) via buy-to-let loans and over £39 billion to housing associations for new build, repair and improvement to the social rented sector (SRS).

EXECUTIVE SUMMARY

— The private rented sector is expanding without the need for government investment due to over £84 billion of private investment. By contrast, the social rented sector is in long-term decline.
— The private rented sector has demonstrated a strong track record of meeting housing needs, offering the flexible accommodation that is required by many households. The sector plays a key role in meeting the needs of specific groups such as students and recent immigrants, whose numbers have grown strongly in recent years.
— The private sector now faces a considerable increase in the burden of regulation. While some new regulations represent a welcome attempt to raise safety standards, much is unnecessarily costly and was introduced without due regard for capacity of small landlords to cope and without a proper cost benefit analysis. New regulation runs the risk of choking off the investment that will be needed to meet growing demand.
— Almost £40 billion of private finance has been levered into the social rented sector via lending to housing associations and through large scale voluntary stock transfer. There is potential to develop private investment further.
— Decisions to invest in social renting rather than low-cost home-ownership should be taken on the basis of clearly ascertained housing needs and aspirations.
— Housing associations, but also some Arms Length Management Organisations (ALMOs) will continue to be the focus for investment in the social rented sector because of their proven track record in delivering sound housing management and greater tenant satisfaction than local authorities.
— Regardless of possible institutional changes, the quality and independence of the regulation of housing associations is crucial if private finance is to continue to be secured on the advantageous terms currently available.
— In the social and private rented sectors, housing benefit is important to secure homes for those in need but planned introduction of the Local Housing Allowance in the private rented sector could reduce its capacity to fulfil this role.

A QUESTION OF BALANCE

3. The CML welcomes the decision of the Committee to focus on the rented sector and believes that it should be seen in the context of a neutral approach to the balance of housing tenures. Such an approach should reflect the choices and aspirations of owners and tenants while working to ensure that housing choices are sustainable.
4. In this context, it is perhaps surprising that of the 10 issues set out by the Committee, only one deals specifically with the PRS and five deal with the SRS. While it is true that the SRS remains larger than the PRS (at 19.2% of all tenures compared to 10.3%) there are sound reasons to focus attention on the latter:

— The PRS is expanding in both relative and absolute terms thanks in part to over £80 billion of private investment via buy-to-let. The SRS by contrast is in long-term decline despite substantial public and private investment. The appendix provides supporting data.

— The PRS is more a tenure of choice than the SRS, which still functions very much as a residual tenure.

— PRS landlords are (according to the Survey of English Housing) delivering higher tenant satisfaction than SRS landlords—whether housing association of local authority.

— Because of its entrepreneurial nature and the presence of smaller landlords, the PRS is in a position to respond to rapidly changing needs in terms of supply—the increase in immigration and student numbers are two examples.

5. With inevitable constraints on public funding for social rented housing (in spite of the intent set out in CSR 07) it may be that the PRS will be relatively more important in meeting future demand than might often be envisaged, even in relation to groups traditionally associated with the SRS. Recent innovations in the temporary to permanent field for the homeless offer a useful example.

**Specific Comments**

*The level of public funding required to meet social housing needs*

6. Given the inevitable limitations on public funding a key question concerns the degree to which a given level of grant can lever in private finance. Housing associations stand outside public sector borrowing limitations and can therefore maximise the potential here. In global terms almost £40 billion of private finance has been levered into the sector via lending to housing associations across the UK, with some £36 billion of that invested in England. Government, via the Housing Corporation (HC), is encouraging housing associations to sweat their assets to maximise the degree to which they can secure new investment and to ensure that historic grant does not stand idle in housing association reserves but is re-invested or used as collateral against new borrowing. There is clearly potential to carry the process further and to explore the use of private finance without grant. The use of private finance for new-build, repair and improvement to social housing represents a highly successful public private partnership.

*The relative funding priority being given to social rented housing as opposed to shared ownership and other forms of below market housing*

7. The 2006–08 National Affordable Housing Programme (NAHP) represents a swing back towards the provision of social rented housing (49,000 out of 84,000 new homes) and away from low-cost home-ownership compared to the previous grant period.

8. CML members lend into all housing tenures and are, therefore, content that decisions about the relative levels of investment in social renting or home ownership be decided by objective appraisals of housing need balanced against the prevailing aspirations towards home ownership as determined at local and regional level.

9. A key issue here is sustainability. If government is promoting home ownership amongst those with relatively low incomes, it is important that it accepts its responsibility in respect of a safety net so the home ownership for these groups can be sustained over the economic cycle as well as the vicissitudes of personal and family life.

*The future role for local authorities as builders and managers of social housing/the effectiveness of different social housing models*

10. Housing associations have been the focus for investment in the SRS and have shown themselves able to manage and develop their housing stock effectively. In this they have been aided by their relative independence of the national and local political process, and, crucially by their ability to lever in private finance by standing outside the public borrowing restrictions. In addition, they have governance structures that compare favourably with those of local authorities. Surveys of tenants who have moved from local authorities to housing associations via large scale voluntary stock transfer show higher levels of tenant satisfaction with their new landlord and comparative surveys of housing associations, private landlords and local authorities show the latter to exhibit the lowest levels of tenant satisfaction.
11. CML members lend to housing associations and have also worked increasingly with ALMOs to develop finance structures appropriate to organisations that do not own their stock. There is no compelling reason to reverse the trend towards ownership and/or management by housing associations and ALMOs. In particular, the CML would not support the promotion of a “fourth way” for local authorities wishing to meet the Decent Homes Standard. Experience over the last 20 years does not support the promotion of such an option and discussion of it has diverted discussion from appraisal of the practical choices facing local authorities if they are to meet tenants’ legitimate desire for better quality housing.

The role and effectiveness of private rented housing in meeting housing needs

12. Deregulation has created an environment that has attracted private investment into the PRS on an impressive scale. Since the 1988 Housing Act introduced the Assured Shorthold Tenancy (ACT), which gave landlords the right of repossession of the property at the end of the tenancy, the long-term decline in the size of the PRS has been reversed. In 1989, the year the legislation came into force, there were an estimated 2,090,000 private rent properties in Great Britain, 9.0% of all dwellings. This had risen to 2,663,000 by 2004, the latest year for which figures are available, representing 10.3% of total dwellings.

13. We estimate that investment in the PRS through the buy to let mortgage scheme alone has been in the order of £110 billion since the scheme’s launch in 1996, with £84 billion of loan finance advanced by mortgage lenders. Survey evidence shows that the majority of this new investment is by landlords who are committed to the sector for the long term. A CML survey in 2004 showed that over 60% of landlords say they planned to continue renting property for at least another 10 years. CML buy-to-let arrears figures also show that the wave of landlords who have entered the market have created stable businesses able to meet their financial commitments. At the end of June 2006, three month plus arrears on buy-to-let mortgages were, at 0.7%, lower than the 0.96% recorded for the mortgage market as a whole.

14. The quality of the private rented stock has also risen rapidly, as illustrated by the English House Condition Survey produced by the Department for Communities and Local Government (DCLG). This shows a large rise in the number of private rented homes meeting the government’s decency standard, with 752,000 meeting the standard in 1996, rising to 1,340,000 by 2004, an increase of some 590,000. At the same time, the number failing to meet the standard fell by over 250,000.

15. The level of satisfaction of private sector tenants also surpasses that of the SRS by a considerable margin. In DCLG’s latest Housing in England for 2003/04, a survey of tenant attitudes showed that 39% of private tenants were very satisfied with their landlord compared with only 26% in the SRS overall and only 22% of council tenants.

16. What the above helps to demonstrate is that the PRS has generally proven more flexible in responding to demand and meeting changing housing needs than the SRS. The PRS is also able to meet the needs of people for whom neither the SRS nor the owner-occupied sector are appropriate, in particular those whose circumstances require flexibility of accommodation (eg those expecting to move around the country for work related reasons or those in transient relationships). The PRS has a particularly important role to play in housing students and recent immigrants, for whom the PRS is generally the default tenure. Large increases in both student numbers, which rose from 1.8 million in 1998 to 2.3 million in 2004 and the number of immigrants, which rose from around 300,000 in 1994 to over 500,000 in 2004, have been accommodated. The PRS also plays a key role in meeting housing need after divorce and other relationship breakdown.

17. The ability to meet changing individual housing needs is a vital characteristic of the PRS and this function is unlikely to diminish as it makes little sense for potentially mobile households to commit to owner-occupation, given the high cost of transactions and it is difficult for the SRS to meet their needs appropriately.

18. Private landlords respond to incentives, both positive and negative. Changes in policy that increase costs or reduce the certainty of rental incomes streams, will act as disincentives, choking off investment. Given that since deregulation, over the past 18 years, the PRS has demonstrated an impressive ability to deliver the investment needed to meet housing demand and raise standards, it seems surprising that government is now imposing a number of new regulations that will have the effect of raising landlords’ costs, creating a disincentive for new investment at a time when more investment is required to meet the projected increase in housing demand.

19. The PRS now faces a considerable increase in the burden of new regulation including licensing of houses in multiple occupation (HMOs), selective licensing, the compulsory tenant deposit scheme, a new health and safety rating system, the Disability Discrimination Act and a change in the way housing benefit is paid for PRS tenants. In Scotland, HMO licensing rules have been more draconian and this year compulsory registration of all privately rented property has been introduced.

20. One of the biggest concerns is with the needless complexity of new rules. Take the tenant deposit protection scheme for example. This attempts to address the problem of landlords who unreasonably withhold tenant deposits. Under current rules tenants must go to County Court to seek redress, a time-
consuming and costly process. But all that was required was a cheaper alternative dispute resolution (ADR) mechanism with the requirement that landlords must inform their tenants in writing about its existence and a requirement that landlords would not benefit from stringing out the legal process (which could be achieved by requiring disputed funds to be lodged with an impartial third party until adjudication). Instead what we are faced with is a combination of a custodial scheme and up to two insurance schemes. Landlords will be required to provide paperwork to the scheme for each tenancy and tenants will have to wait for up to 10 days to receive their deposits back from the custodial scheme.

21. The Government has rightly identified the benefits of a vibrant PRS and acknowledged the role that it will be required to play in meeting growing housing needs. It is therefore surprising that the government has introduced so much new regulation without proper consideration of its impact on landlords’ incentive to invest.

The priorities and effectiveness of the Housing Corporation (HC), English Partnerships (EP) and the Regional Housing boards in responding to housing needs

22. For lenders the key issues in the context of the above bodies at present are the debate about the possible merger of the HC and EP and the associated review of regulation currently being carried out by DCLG.

23. The CML has not taken a position for or against merger but has stressed that the accumulated knowledge of the HC in the field of HA regulation should not be lost in any institutional change to the HC or EP or to the regulatory function. In relation to the latter the CML has emphasised:

— The continuing importance of regulation in providing comfort to lenders and thus in securing private finance in circumstances where it might otherwise not be available and at rates well below those for other commercial lending.

— The value of co-location of regulation and investment in one organisation to allow for better communications and to enable investment funding to financially underpin mergers or other remedial action where housing associations have found themselves in financial difficulties.

— The importance of independence of the regulator from government so that the quality or integrity of regulation is not compromised by the pursuit of political imperatives.

The effectiveness of housing benefit as a means of providing access to rented housing to those in need

The PRS

24. The importance of housing benefit should not be underestimated. Housing benefit accounts for over 15% of rent receipts in the PRS and enables many homeless families to find at least temporary accommodation. The Government plans to move from its pathfinders of the Local Housing Allowance to a national roll out and proposals are contained in the Welfare Rights Bill. The CML is opposed to these proposals which it fears will:

— Lead to increased rent arrears and higher costs of collection for landlords since the Local Housing Allowance will be paid to tenants rather than landlords and, therefore:

— Discourage landlords from letting to tenants on housing benefit. There was clear evidence of this in the pathfinders but that evidence has apparently been ignored.

— Encourage some landlords to disinvest entirely as they will see housing benefit reform as a further example of government interference.

— Discourage lenders from lending to landlords who let to those on housing benefit.

— Put more pressure on the SRS, as fewer homes for those on housing benefit are available in the PRS.

The SRS

25. Housing benefit accounts for some 70% of rent receipts in the SRS. It thus crucially underpins the cash flow and borrowing ability of housing associations. The government has withdrawn its plans to introduced Local Housing Allowance into the sector and the CML supports this.
APPENDIX

Dwellings by tenure in the United Kingdom

Thousands

Year

Owner-occupiers Privately rented Social rented

Percentage

Dwellings by tenure in the United Kingdom

Year

Owner-occupiers Privately rented Social rented

Memorandum by Places for People (SRH 36)

EXECUTIVE SUMMARY

Places for People is one of the largest property development and management companies in the UK, with 58,625 homes either owned or managed in a mixture of different tenures. It is a not for dividend organisation whereby all profits are reinvested in to the business.

This submission sets out our view on the supply of rented housing in the UK. We understand that there is a need for affordable rented housing, but the view of Places for People is that this requirement should be met through the provision of mixed communities with the long-term objective of creating high quality, safe and sustainable communities. Places for People has assets of £2.3 billion and an annual turnover of over £255 million, giving it the financial strength to create communities of choice. All the developments created by the Group span the whole range of tenures from private for sale homes to shared ownership to affordable rent, producing truly mixed communities. Unlike most private developers, Places for People manages developments in the long term, and so it is in our commercial interest to generate sustainable, attractive environments, with the infrastructure required, where people want to live and work.
The key points we would like to make in response to the committee’s inquiry:

— In order to get better value for public money and increase the supply of rented housing we believe that a gap funding (where Government funds the gap between the total costs of a development and the potential revenues) model is able to support the future provision of affordable mixed-tenure housing in a manner that gives better value for money.

— To enable programmes to be developed that will deliver genuine mixed communities, we feel that there is a clear case for considering a new delivery agency whose remit would be to provide a framework to enable the delivery of mixed tenure, mixed use places. We believe that this new delivery agency should be a fusion of English Partnerships, the Housing Corporation and the Neighbourhood Renewal Unit. It would report to the Department of Communities and Local Government (DCLG) at a regional level and work alongside the merged Regional Planning and Housing Boards.

— Places for People believe that to achieve sustainability, neighbourhoods need to have a mix of housing types and tenures, including market and affordable rent. We feel that Housing Associations are well placed to deliver these neighbourhoods as they have the ability to use their asset base to raise private finance.

ABOUT PLACES FOR PEOPLE

Places for People is one of the largest property development and management companies in the UK, with 58,625 homes either owned or managed in a mixture of different tenures. With 2,500 employees, it is a unique organisation that provides a diverse range of products and services to build quality, safe and sustainable communities. In 2005–06, Places for People had a £255 million turnover and a not-for-dividend profit of £15.7 million. During 2005–06, we built 1,250 new homes and had a £2.3 billion asset base. In addition, we achieved a full set of green lights in our last Housing Corporation Assessment (October 2005). Places for People regards itself as a housing and regeneration organisation that puts people first. We provide solutions that not only cover a range of different housing tenures but also offer a range of support services including affordable childcare, elderly care and financial services—all the things that contribute to making neighbourhoods of choice; prosperous, popular and truly sustainable. The Group structure is outlined in Appendix A.

Places for People currently have 44,600 affordable rented properties, 4,800 properties available for market rent and some 9,000 properties where we retain a freehold stake as part of either shared ownership or “right to buy” arrangements in a number of developments throughout the UK.

The level of public funding required to meet social housing needs

Recent research by the National Housing Federation suggests that there is a national demand for around 80,000 new affordable homes per year for the next 20 years. With population growth on the rise and a lifestyle changes such as immigration and an increase in one-person households, the level of public funding to meet social housing needs is very significant.

Places for People believes that if the Government is to maximise what it gets from its investment in housing, a gap funding approach must be implemented. By using this model, developers such as Places for People will be able to deliver increased amounts of housing—including social housing—for the same amount of public investment.

In addition, we believe that the provision of grant funding solely for affordable and social housing is not generating effective, mixed-income communities for the future and there is a clear disconnect between the Government objective to create vibrant mixed income communities and the fact that there is currently no explicit programme to deliver this.

We believe that the best way of getting funding to focus on creating mixed-income communities would be through the gap funding of a complete mixed tenure scheme—namely: providing funds to pump prime developments where there is a gap between total costs of the development and the developer’s estimates of income required to fund the debt.

We feel that, when combined with an output-led regulation of the kind outlined below, gap funding provides a greater practical incentive for companies to develop sustainable communities in a more commercial way, as well as enabling Government to focus its spending on elements of the sustainable communities’ agenda that require it most.

We have undertaken some broad financial modelling, based on similar principles to those used in the Housing Corporation’s Financial Workbook, for assessing project viability and grant requirements. This modelling takes the current annual output of affordable housing, together with the current annual Housing Corporation grant and examines how the grant could be allocated differently. Assuming current costs, it shows that total investment could enable profits from market sale homes to be recycled by developers to either:
— increase the amount of affordable homes from around 30,000 to 40,000 with the current £2 billion
annual subsidy;

or

— reduce the housing subsidy by about £300 million and still build the current number of
affordable homes.

Equally, gap funding could also help with incentivising investment in the redevelopment and/or
demolition of market-renewal areas. Whilst the levels of total investment might be proportionately higher
for these areas, such a mechanism would create a more efficient use of public investment by concentrating
it on areas where it has most impact. We think that this is one way that the Government could reinvigorate
the current Housing Market Renewal Programme.

Gap funding, combined with regulation based on sustainable communities output (see below), would also
courage developers to realise synergies from the provision of complementary products and services,
such as:

— new business start-ups;
— training and skills;
— childcare; and
— environment and landscaping services (e.g. through the integration of Neighbourhood Renewal
Unit funds as pump priming resources).

Such a regime should also require developers to provide ongoing management of the mixed-tenure
neighbourhood in order to protect and achieve on-going value from the original investment. We feel that
this is particularly important in the context of the future growth in the post-retirement population and the
increasing emphasis on diversity and ethnicity in the provision of customer service.

In summary, a gap-funding model, of the kind outlined above, not only has the capability of achieving
better value for money on Government expenditure on sustainable neighbourhood outputs, but also,
crucially, the capability of producing higher numbers of market sale, market rent and affordable houses.

The relative funding priority being given to social rented housing as opposed to shared ownership and other
forms of below market housing

Places for People’s focus on building mixed-tenure neighbourhoods, in response to what the particular
area/population requires. We feel that Government needs to move away from funding developers to create
developments that are not suitable for the area in which they are built—and focus on delivering
neighbourhoods with the balance of tenures and house sizes that are required. Clearly, housing requirements
vary from area to area and there must be flexibility in the approach to developments that reflects this.
Research by Places for People has constantly showed that the creation of mixed-income, mixed-tenure
housing provides a platform that enables many of the Government’s sustainable neighbourhood outputs to
be achieved.

Overall Places for People believe that to be sustainable in the long term, neighbourhoods need to have a
mix of housing types and tenures. People are attracted to our developments because we can give them a
choice—they can either buy outright, rent or part buy/part rent with a range of low-cost, home-ownership
options available.

In fact, Places for People are one of the four original housing associations involved in the Government’s
Social Homebuy pilot. This scheme has enabled two of our customers from Chorley, who have been renting
a property for 10 years, to buy their home with a discount and on a shared-ownership basis. We are currently
processing over 150 applications and have plans to roll out this scheme nationwide.

Moreover, building communities that have people from different social backgrounds and with different
income levels, contribute to the success and longevity of the new places we create. All our homes, regardless
of whether they are rent or for sale, are built to the same high standard, with the same specifications making
different tenure indistinguishable. In London, for example, we have created a mixed tenure, mixed-use
development on a large brownfield site at Kleine Wharf, Hackney. This is an area that has sunk into
economic decline, where Places for People have created a £20.5 million development of 39 apartments for
sale and 32 for affordable rent, in addition to 25,000 square feet of commercial work space.

We believe that funding should be distributed to all social housing creation schemes regardless of tenure
in order to ensure genuine mixed sustainable communities can be created.

The geographical distribution of subsidies for affordable housing

It is clear that the distribution of Housing Corporation funding for 2006–08 is weighted in favour the
South of England over the North and Midlands. This, we believe, is due to the high land values and build
costs in the South. However, it is generally easier to generate cross subsidy from sales schemes in the South
where there are relatively higher values.
In Housing Market Renewal (HMR) Pathfinder areas in the North (where the bulk of the areas allocated Housing Corporation money and Places for People’s affordable programme is targeted), affordable homes can still be expensive to fund because of ground conditions and costs/interest charges relating to re-housing and demolition. In addition, homes for sale can be difficult to develop in the HMR areas as costs will often exceed values.

Places for People believes that the Government could achieve better value for money from its current overall distribution balance by:

(a) The adoption of a proposed “gap funding” approach to extract value from market sales scheme thereby enabling a more effective use of allocated resources.

(b) Getting better coordination of Social Housing Grant, pathfinder and English Partnerships funding to support the use of gap funding in lower value areas, such as in the HMR areas.

The future role for local authorities as builders and managers of social housing

Places for People is a commercial organisation with large assets that it can borrow against and use to raise private finance when required. This allows us to create both small and large scale developments that are truly mixed tenure and that use the surpluses generated by our commercial activities to cross-subsidise the development of affordable housing as well as community services and infrastructure.

As the largest Registered Social Landlord in the UK, and a major house builder and developer, we feel that housing associations are best placed to meet the needs of providing social housing in mixed sustainable communities.

We have a proven track record in delivering high quality developments from small-scale, local projects to whole-area master planning, with a specific focus on being environmentally friendly. Because we will be managing the developments long term, Places for People has a vested interest in developing high quality, sustainable development.

With local authorities having increased demand placed on their budgets, Places for People believe their priorities would be best focused on streamlining planning regulations, playing a more strategic role in managing their local areas and ensuring that the required levels of infrastructure are delivered.

In recent years, there has been an increasing focus on the need for community leadership from local authorities and on the need to involve a wide range of local stakeholders in identifying housing needs and planning responses.

With the forthcoming Local Government White Paper set to devolve more powers to local authorities, there is the opportunity for them to take on an increasingly important strategic role in housing. Places for People will further develop relationships and strategic partnerships with local authorities in combating the affordability crisis and creating sustainable mixed communities. The scale of the housing challenge requires that all resources and skills be brought to bear in a coherent way.

At one of our developments, at Walker in the East End of Newcastle, we are already working in partnership with Newcastle City Council, Bridging Newcastle Gatehead and the local community to create a vibrant, mixed neighbourhood. We are currently four years into a multi-million pound master planning project that will see the creation of 1,800 new homes for sale and rent, together with improved shopping and leisure facilities, better schools and integrated transport links. This proves that RSLs and local authorities can work together for the good of the community.

The effectiveness of different social housing models including traditional local authority housing, ALMOs, housing co-operatives and housing associations

We believe that it is difficult to make comparisons between the effectiveness of different social housing models as they all have different roles and strengths in providing rented housing.

We feel that Housing Associations are best placed to meet the growing demand for affordable rented housing. In fact a recent report by the Housing Corporation has suggested that Housing Associations have upgraded three times as many properties to the Decent Homes Standard than was expected. This equates to some 60,000 homes achieving the Decent Home Standard last year against the 20,000 figure that was laid down by the Government.

At Places for People we have been very effective in generating surpluses from our commercial activities and then redirecting these extra surpluses to subsidise the development of affordable housing, and a range of community services and infrastructure. In this way, Places for People is able to add to the supply of housing with less reliance on government investment. All of our products are developed in response to what customers say makes a neighbourhood a desirable place to live.
The role and effectiveness of private rented housing in meeting housing needs

Uncertainty and rising prices in the housing market has led to people opting for private and social rented housing. Although, it is not the desired choice for many individuals it is clear that demand for housing in the UK far outstrips supply and to plug the gap good quality private rented accommodation is necessary. Private rented housing has also proved to be vital to labour mobility, which in turn is crucial to the growth of the UK economy.

Sharp rises in house prices mean that home ownership is now unaffordable for an increasing number of households. For example a recent report by the NHF and Chartered Institute of House Builders estimates that by 2011 house prices will rise to £322,000 in the South East and given that there is an expected population growth of 450,000 people over the next 10 years, private rented housing will be crucial in filling the gap in the short to medium term. However, the scale of small “Buy to Let” properties is not going to impact on the major shortage of housing accommodation in London and the South East and it is the issue of housing supply that the Government need to address in the long run.

Places for People has recognised the key part the private rented sector plays in developing a sustainable mixed community and has increased its holding in this type of tenure. We now have 4,761 market rent properties in a number of mixed tenure sites. One of our new developments in Wolverton, Milton Keynes will see the creation of 300 new apartments available for outright sale or market rent, in addition to 90 affordable homes on disused brown-field site. This approach both increases the supply of private rented accommodation and the development of mixed communities.

We believe that having the ability to privately rent a property through the use of our management arm is a crucial part of our flexible tenure options thereby offering the customer more choice as to when they want to rent/part/buy/buy outright at any particular time. Places for People has recently developed new financial products, including loans and mortgages that offer increased options for customers with regard to flexible tenure options. By providing flexible mortgages whereby customers can staircase up as well as down, meaning that a person can buy their own home and sell it back to us if their financial circumstances change— and vice versa. This in turn helps to create and maintain mixed income, mixed tenure communities. This is a capability that does not exist with private sector builders or buy to let landlords.

The priorities and effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in responding to housing needs

Places for People believe that there is a clear case for a new delivery agency to be formed under the auspices of the DCLG. We think that this new delivery agency should be a fusion of English Partnerships, Housing Corporation and the Neighbourhood Renewal Unit which, for investment and land supply purposes, would operate at a regional level in conjunction with the merged Regional Planning and Housing Boards. The regulation function for places should sit within the DCLG but operate on a national level, possibly in a similar manner to the new Ofsted school review arrangements.

A key part of a new set of arrangements would be to provide more effective links with relevant Government organisations at city/region level, working alongside the merged Regional Planning and Housing Boards and from there to local levels through groups such as the Local Strategic Partnerships and through Local Area Agreements. The intention should be that the provision of complementary services and infrastructure, such as Policing, Education, Health, Learning and Skills, and Transport infrastructure etc, could be better planned and targeted at a local level.

We think that the effective delivery of mixed tenure sustainable communities is also likely to require a mechanism where various public/private sector contributions can be better co-ordinated to ensure supporting infrastructure (eg transport, schools and hospitals) is provided in a phased manner to support new places and improve existing places. Currently the trigger point for developing schools for example is far too late meaning that there is a lack of local education provision at new developments, which could be avoided by closer coordination between bodies.

We agree with the Barker Review conclusion that such a delivery agency should also have planning and CPO powers, together with the resources and expertise to achieve the level of co-ordination necessary to deliver the housing and regeneration strategy. In addition, we think that such mechanisms could be linked to the proposed Planning Gain Supplement mechanism, which we believe should be based on the overall percentage increase in land value (taking into account negative valuations of land where appropriate).

Places for People believes that the merged Regional Planning and Housing Boards should have a commissioning role in setting up and giving direction for these mechanisms, thereby providing one voice to the Local Development Vehicles (LDVs) that might be required to pump prime developments in a region.
The role and effectiveness of the planning system, including section 106 agreements in the provision of rented housing and securing mixed tenure housing developments

The planning system, and particularly the use of Section 106, is vital to securing the economic value of new developments and mixed tenure housing. However, we feel that Section 106 is too often used as a blunt instrument by local authorities when the market in a particular area may not require it to be appropriate for a mixed tenure mixed income community. For example, Local Authorities insisting on 30% or 50% affordable housing for a particular development because it is their standard policy.

Places for People feels that Local Authorities need to give more consideration to the housing requirements in any particular area, and in some cases simply specifying that a certain percentage of affordable homes are required may not address the particular local requirements.

In addition, simply specifying that a percentage of the properties are affordable can lead to the construction of poor quality housing, or ghettos of poor quality housing within a larger development. Places for People builds all the tenure housing types to the same standard and “pepperpots” the different tenures so they are completely integrated within the development.

For example, at Arbury Park in Cambridge, a development of 282 homes, there will be 141 properties for affordable rent and shared ownership with 20% of the shared ownership properties being made available to key workers and a new visitor to the site would not be able to distinguish between these and the private for sale homes. We feel that simply specifying a percentage does not encourage developers to provide high quality affordable housing and that more guidance and specification with regard to standards is required if we are to create neighbourhoods of choice for all.

Places for People supports the sequential testing of brownfield sites. It is clear, however, that brownfield alone is not going to provide sufficient developable land to meet projected demand. We therefore suggest that a greenfield sequential test should be developed that incentivises the development of sustainable communities in areas that have infrastructure that can support it to ensure the impact on the countryside is properly understood and managed. This is likely to identify areas currently considered greenbelt but of a low environmental quality.

We also feel that planning officers need to be prepared to plan for climate change. In order to create truly sustainable housing developments there needs to more emphasis on the “can do” attitude from planning officers to harness renewable technologies and to build zero carbon buildings. For example, at our development at Broughton Atterbury we had to work very closely with local planning officers and English Partnerships to achieve homes that are the leading edge of energy efficiency. As a result all 229 homes at Broughton received an Eco-Homes Excellent rating, making it one of the largest developments in the country to achieve this standard.

The effectiveness of housing benefit as a means of providing access to rented housing to those in need

Places for People feel that there is a need to distinguish between the production of housing and the way people pay. For those people who do not have access to finance streams to enable them to pay for housing, then housing benefit is the legitimate option.

However, for an increasing number of people, there are flexible tenure finance packages available that give people the access to different financial options. We believe that more of these options could be released if capital and revenue funding streams could be joined together and used to cross-subsidise the tenure options on offer.

The impact of the operation of Council Tax Benefit on the affordability of rented housing

Places for People does not feel that it is best placed to comment on this.

APPENDIX A

The Places for People Group: Structure and Activities

The Group’s key objectives are to provide excellent housing in great places, a wider choice, deliver high quality neighbourhoods and mixed communities, and to work towards ending poverty rather than accommodating it. These are delivered through the internal divisions and closely linked specialist companies listed below, all of which are strengthened by the expertise and financial strength that comes with being part of one large organisation:

— Places for People Homes owns and manages the 46,000 homes within the Group. It is active in over 200 local authority areas and works in partnership with a wide range of statutory and voluntary organisations to deliver a locally responsive service. Stock includes rented housing and apartments for families, couples and single people through a mixture of tenures.
— **Places for People Individual Support** is committed to providing the support required for individuals to live independently in the community. Our portfolio of 5,000 homes includes housing and services for older people, people with learning disabilities, homeless people and preventative and practical access to services for women at risk from domestic violence.

— **Places for People Neighbourhoods** ensures that the Group does not simply manage, build and rent houses but supports the regeneration and wellbeing of whole communities. Providing childcare facilities, employment opportunities, training schemes and new business start-ups, Places for People Neighbourhoods demonstrates the Group’s commitment to communities.

— **Places for People Development** is a major player in construction and is driving forward the sustainability agenda by raising standards and translating this into demands on suppliers. Planning takes place in partnership with communities to support the development of a vision for an area by encouraging participation and local consultation.

— **Places for People Financial Services** will provide flexible financial products such as mortgages, interest free loans and equity shares to tenants and local communities. Providing flexibility and choice for its customers is a key objective for the Group. It does this by looking at the housing market and designing products and financial services that allow people access to housing that meet their needs, and allows them to gain an equity stake in their home.

Within the Group, there are a number of closely linked companies providing specialist services and products to local communities. These include:

— **Castle Rock Edinvar**: formed following the merger of Castle Rock and Edinvar Housing Association. It manages 5,000 homes in the Edinburgh and Lothian regions.

— **Places for Children** is aligned closely with the Government’s National Childcare Strategy and the Sustainable Communities Plan and aims to meet the needs of parents and communities. Places for Children has invested over £8 million creating neighbourhood nurseries in some of the most challenging and deprived areas of the country.

— **Kush** works in black and ethnic minority communities and manages over 700 properties across North London. It helps homeless and socially excluded people access housing, work and education opportunities.

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**Memorandum by the Chartered Institute of Housing (CIH) (SRH 37)**

1. **Summary**

1.1 More could be done to meet people’s needs if there was a greater range of tenure types than the current dichotomy between owning and renting.

1.2 Greater freedoms and flexibilities for high performing landlords would help improve delivery. The Housing Revenue Account mechanism obscures effective performance and should be abolished.

1.3 The Community Land Trust model is a promising approach which should be developed further and may encourage authorities to bring more land forward for affordable housing.

1.4 There is no clear relationship between performance and any particular model of delivery. There is therefore a need for a properly co-ordinated system of regulation and inspection across the sector to guarantee minimum standards and drive up performance.

1.5 The private rented sector is effective at responding to investment opportunities in niche markets but cannot be expected to respond to social needs. Where it does so it will need the support of local services.

1.6 The planning system can be made to perform effectively in delivering affordable housing through the use of clearer planning policies within the suite of planning documents that comprise the Local Development Framework.

1.7 The Government’s strategy for housing benefit of driving up standards of administration and continued gradual simplification of the rules is helping to improve claim processing times. Delays in processing claims affect landlord’s capacity to develop and in the case of the private rented sector may cause landlords to withdraw from letting to low income households.

2. **About the Chartered Institute of Housing**

2.1 The Chartered Institute of Housing (CIH) is the only professional body for individuals working in housing. Its primary aim is to maximise the contribution that housing professionals make to the well being of communities. Membership status is dependent on completion of a professional qualification and a track record of professional achievement.

2.2 CIH has over 19,000 individual members working for local authorities, housing associations, Government bodies, educational establishments and the private sector.
3. The Level of public funding required to meet social housing needs

3.1 We estimate that a realistic level of public funding for homes to meet social housing needs for the spending review period to 2008–09—2010–11 is as follows: 2008–09, £2.6 billion; 2009–10, £2.8 billion; 2010–11, £2.95 billion. This would deliver 150,000 social rented units over the whole period (rising from 46,500 in 2008–09 to 53,500 in 2010–11).

3.2 The required number of units required is based on research commissioned from the Cambridge Centre for Housing and Planning Research (CCHPR). The costing assumes that any increase in building costs (estimated to be 6% per annum) would be delivered as efficiency savings over and above the 11% already achieved during the 2006–08 national affordable housing programme.

3.3 The total estimate above excludes low cost homeownership and other forms of below market housing. The CCHPR estimated the need for a further 60,000 other units over the period at a cost of a further £3.25 billion.

4. The relative funding priority being given to social rented housing

4.1 The combined estimate recognises a strong theme of mixed provision and the Government’s aim to continue to support home ownership. It does not include other low cost homeownership programmes which subsidise the acquisition of existing stock such as Open Market HomeBuy.

4.2 The total programme would be enhanced by measures to increase the flow of free or below market cost public sector land to housing associations to build affordable homes.

4.3 Low cost homeownership is needed both to support people’s aspirations for home ownership but also to free up space in socially rented units for those in the greatest need. These two forms of affordable housing provision should therefore be seen as complementary rather than as being in competition for meeting people’s needs.

4.4 CIH believes, however, that more could be done to meet people’s needs and aspirations if there was greater diversity in provision rather than the current simple dichotomy between owning and renting. Greater diversity in form could meet a wider range of needs aspirations and would help ensure that resources are spread out more and better targeted.

4.5 Research conducted for the Housing Corporation in 2004 found that, after taking into account the realistic costs of ownership only 13% of housing association tenants expressed a preference for home ownership over the long-term. However, other research has shown a much greater number aspiring to ownership. Greater diversity is needed because there are many reasons why people may choose not to buy their home even though they may aspire to be a homeowner. These include:

- a substantial proportion who have insufficient income to be able to achieve or sustain home ownership (including tenants on housing benefit 10.2), Others may be able to afford a mortgage but at the expense of having little or no disposable income;
- older tenants are often not able to raise a mortgage;
- younger more mobile tenants who may not wish to get trapped in the property they buy which may not meet their long-term needs;
- for others their current home may not represent a desirable long term investment (financially or socially). Many who express a preference for homeownership view it as means to securing a better home in an area of their choice, rather than a preference for ownership itself.

4.6 The current balance of funding between the two programmes (in the ratio of 5:2 in favour of social rented housing) reflects the limited range of incomes over which homeownership—even at low cost—is viable. Greater diversity in provision would allow some of the benefits of homeownership (such as investment in a capital asset) to be available to those who will continue to rent. Equally it may also allow some of the benefits of renting (such as freedom from a repairs burden) to those who are on the margins of ownership.

5. Future role of local authorities as builders and managers of social housing

5.1 Very few local authorities have retained in-house capacity to build new social housing, and in general their contribution to new social housing has been through the donation of land for development by housing associations.

5.2 There could be a bigger role for local authorities as owners and managers of housing in appropriate circumstances An enhanced strategic role for local authorities, as developed in the recent CIH publication Visionary Leadership in Housing, would mean that they would be well placed to coordinate delivery by a range of partners, including their own role to meet the area’s needs.

Bennett and Murray (2004), Aspirations to Ownership, IPPR. London. The British Social Attitudes (BSA) Survey finds levels of support for home ownership at around 80%. However the BSA method allows respondents to express a view based on their “wish list” which allows for unrealistic expectations—such as being able to own at the same cost as their weekly rent.
5.3 Development should not be pursued simply due to the prestige associated with it. Quality and efficiency must be at the heart of development models. There should be greater freedoms and a flexibilities for high performing authorities to develop (and manage) housing to provide an incentive for effective delivery. A similar performance-based approach has already been applied successfully to the ALMO sub-sector where the option of additional funding alongside ALMO status was dependent on achieving two stars. The Hounslow Homes model may enable ALMOs to make a significant contribution to new social stock.

5.4 It is difficult to identify effective performance under the current local authority housing revenue account (HRA) regime. The HRA regime is essentially a means of redistributing assets and this masks both effective and poor performance. The HRA system should be abolished and replaced with a more sustainable system that would make the effective development and management of assets more transparent and so encourage more effective performance.

5.5 Land-use models where the local authority can retain an ongoing stake in its assets may prove attractive to authorities and encourage them to make more land available for housing. Currently the choices available to authorities are limited and they must balance the capital gain of developing a community facility on council-owned land (from which ongoing revenue is raised) with the social gain of enabling development of social housing by other bodies (which necessitates loss of an asset to the local authority).

5.6 One such model is for is for land to be retained by the council in a trust so that housing built on it remains affordable in the long term (effectively a Community Land Trust). This is preferable to what happens at present where the first buyer gains from a large subsidy (and subsequent profit) from reduced cost land.

6. The effectiveness of different social housing models (local authority, ALMOs, housing co-operatives and housing associations)

6.1 There is little evidence to link performance with any one particular model of provision. Any model can perform effectively and there are examples of both excellent and poor performers in each sector. Likewise there is no obvious relationship between size and performance.103

6.2 Diversity of provision can help promote choice, competition and innovation in best practice.

6.3 Effectiveness is determined by the quality of the management team as a whole (ie both at the board level and the operations level). It requires a contribution of all partners to deliver strategic objectives. This applies equally to housing management as it does to development (ie increasing the supply).

6.4 Because there is no clear relationship between performance and any particular model, this suggests that what matters is that there is an effective system for regulating the social housing sector as whole. A properly coordinated system of regulation and inspection would help ensure a minimum floor of standards across the whole sector and would also facilitate the sharing of good practice ideas which originate in each sub-sector.

7. The role and effectiveness of the private rented housing in meeting need

7.1 The private rented sector (PRS) plays a key role and is effective in meeting the housing needs of key groups such as students, migrant workers, young professionals. It is a flexible option for tenants who are unlikely to stay in the sector in the medium-long term and is responsive to changes in demand where landlords see investment opportunities.

7.2 The growth of Buy-to-Let has increased the quality of the stock available to these groups, although the vast majority of investment has been in the existing stock and so has not significantly contributed to the overall supply. In some localities an overheated Buy-to-Let market has driven up prices and reduced the availability of more affordable accommodation for owner occupation.

7.3 However, the ability of the PRS to meet needs of lower income groups is less clear cut. Firstly, there are real barriers to access caused by the standard practice of requiring a deposit and rent in advance, and the reluctance of many landlords to accept housing benefit (HB) claimants. Local authorities can build the sector’s role as a provider for low income groups by providing or supporting bond and deposit schemes, and developing systems for HB claims for private tenants to be fast tracked. Such schemes can be restricted to accredited landlords to promote higher standards in the sector.

7.4 Secondly, where the PRS is expected to house tenants with complex social needs there may be a need for additional local authority services to support the sector. In such cases the local authority will need to ensure there is adequate provision of “floating” support services to help tenants sustain their tenancies.

7.5 The contribution of the PRS to social and community needs must be assessed alongside its contribution to meeting housing need. Where the PRS responds to the needs of lower income and transient groups (such as students or migrant workers), problems can arise for the wider community and local housing market. Responsiveness to investment opportunities can result in concentrations of rented housing occupied

almost exclusively by these groups (e.g., students, etc.) which can lead to areas requiring more intensive management by local service providers such as universities, the council, police, and social services. These areas can also become unattractive for owner-occupiers, which can lead to instability in the market and decline of mixed communities.

7.6 Whilst the PRS does meet some housing needs simply by responding to market trends, the points above show that there is a need for local authorities to work strategically to monitor, oversee, and intervene in the sector. This way of working is advanced in some authorities but is still emerging and needs further development in others. Difficulties funding non-statutory services, and lack of corporate support for PRS work need to be overcome so that the additional work needed can be developed.

8. **Priorities and effectiveness of the Housing Corporation, English Partnerships and regional housing boards in responding to housing needs**

8.1 The requirement of national public bodies to always get the best consideration for the sale of their assets may inadvertently drive up the price of land thus reducing the leverage of public money to directly increase the overall supply.

8.2 We do not have any objective evidence of the effectiveness of the above-mentioned bodies in responding to housing need. However, we consider that it is increasingly being seen as the local authority’s role (usually working with other authorities and with the above-mentioned bodies) to respond to the wide range of housing needs. A stronger strategic housing role at a more local level would certainly help to better marry up provision with local requirements and aspirations.

9. **The role and effectiveness of the planning system, including s106 agreements in the provision of rented housing and securing mixed tenure housing developments**

9.1 The planning system has a clear role to play in securing provision of social rented housing and mixed tenure developments. Use of section 106 agreements, as set out in Circular 6/98, give local planning authorities (LPAs) the powers needed to deliver social and mixed housing. The effectiveness of these tools is dependent on their application by LPAs.

9.2 The performance of LPAs in securing affordable housing can be improved through clearer planning policies within the suite of documents that comprise the Local Development Framework (LDF). Without clearly stated local planning policies section 106 agreements have to be negotiated separately for each site—the result can be inconsistency and delay. For example where LPAs do not state in their planning documents that they will treat contiguous sites as one site they will allow their stated site thresholds for affordable housing to be undermined. The Audit Commission’s toolkit *Securing Community Benefits through the Planning Process* shows how LPAs can develop their planning documents and processes to strengthen section 106 outcomes.

9.3 A potential reform to section 106 could be to require councils to apply section 106 policies to all sites as a matter of course—not only those with over 15 units (conditions apart). On these small sites developers could be required to pay a sum of money which could be pooled with others’ contributions to enable further development of rented housing on other sites. Currently the majority of sites are not subject to section 106 agreements and so effectively have a “free ride” despite having a cumulative impact on local resources.

9.4 Local Area Agreements are designed to identify and action local corporate priorities as well as some national priorities through the requirement to include some mandatory targets. Whilst in general we would wish to minimise the number of such mandatory targets, we would suggest that it is reasonable for mixed communities to be a target that all areas could reasonably be expected to adopt—even if they already have mixed communities they will need to proactively maintain them.

10. **The effectiveness of housing benefit as a means of providing access to rented housing to those in need**

10.1 Housing benefit plays a key role in providing access to rented housing for those on limited incomes by providing a means to be able to afford the rent.

10.2 In the social sector around two-thirds of tenants rely on housing benefit to pay their rent and around two-thirds of those on housing benefit receive full help with their rent. It is therefore also crucial to landlords to be able to deliver new affordable housing as it is contributing to more than half of their total rental income stream. Given its importance local variations in the way that the service is delivered can have a significant impact on landlords’ performance.

10.3 In theory access to the social sector is unrestricted by affordability considerations because, except in a very small minority of cases housing benefit is calculated on the full rent without any restrictions. However, at higher rent levels the poverty trap can act as a work disincentive. Further although the overall take-up rate is around 90% take-up rates are known to be much lower for in work claimants.
10.4 In the private sector around 25% of tenants are on housing benefit although take-up rates are known to be lower than in the social sector. Further, for private tenants the level of rent on which housing benefit is calculated is restricted to what is judged to be reasonable and appropriate by reference to local market conditions. There a number of different types of restriction which are highly technical in nature and difficult for claimants and landlords to understand.

10.5 These limits are particularly strict for claimants aged under-25. Prior to these restrictions being introduced in October 1996 there were around 177,000 under 25s on benefit of which 144,000 were expected to be affected. The latest DWP statistics (February 2006) show that there are just under 12,000 claimants face a restriction. Even taking account of changes in unemployment this suggests a large scale withdraw by landlords from this sub-sector.

10.6 Since landlords are investors rather than social businesses prompt payment of the full rent is a key consideration in granting access. Therefore the speed of processing claims also affects landlord’s decisions to let to housing benefit claimants. The housing benefit rules are notoriously complex and difficult to administer, partly because of numerous rent restriction rules which apply to the private sector. This complexity hinders effective delivery.

10.7 The Housing Green Paper recognised that, even taking into account the difficulties arising from complexity, administration was inconsistent leading in some areas to long delays. Since then the Department of Work and Pensions has worked hard to drive up performance through a strategy of improving administration skills (for example through the use of Help Teams) combined with gradual simplification of the benefit rules and procedures. This has worked well and there has been a slow but steady improvement in performance.

10.8 Evaluation of the Local Housing Allowance suggests that the simplification gains will lead to further improvements in performance for private sector tenants.

11. The impact of the operation of Council Tax Benefit on the affordability of rented housing

11.1 Council Tax Benefit (CTB) is assessed on the same basis as housing benefit and is withdrawn alongside it. This has the effect of deepening the poverty trap and is equivalent to an increase in the housing benefit taper over the range of incomes that both housing benefit and CTB apply. The most extreme case occurs when the claimant is also entitled to tax credits such that over a range of incomes they would only gain 4½p of each extra £1 they earned.

Memorandum by the London Borough of Barking and Dagenham (SRH 38)

The level of public funding required to meet social housing needs

It is highly likely that public funding will always be required to deliver social rented housing if rents are to be set at levels which are affordable. It is also most unlikely that Section 106 and any future Planning Gain Supplement will provide sufficient resources to fund the level of social rented homes to meet housing need. This is particularly so given the competing demands for this resource—schools, health, transport and leisure, all of which are necessary to ensure that the new homes are within genuinely sustainable communities in which people will choose to live and want to remain in.

This is evident in areas where land values are relatively low. Barking and Dagenham has the lowest property prices in London. In the course of the next 20 years 26,000 new homes will be built and of these around 11,000 are planned to be affordable, with about 6,000 social rented. The level of grant needed to fund these social rented homes would be in the order of £500 million.

The relative funding priority given to social rented housing as opposed to shared ownership and other forms of below market housing

The prime focus for resourcing affordable housing must be the provision of social rented homes for people and families in priority need, as defined by legislation. The high number of homeless households living in temporary accommodation and those living in overcrowded conditions in London (both totals being over 60,000) evidences the point.

In Barking and Dagenham we have over 400 households in private sector leased and housing association supported temporary accommodation. We have a chronic shortage of larger size family social rented homes, a problem which affects many east London Boroughs, efforts to address this issue are made more difficult by the desire of private sector developers to build 1 and 2 bedroom apartments. It would be helpful if Government supported through planning guidance mechanisms the move from expressing housing densities in terms of dwelling numbers to habitable rooms.
There is a secondary, though important role for intermediate tenures, particularly shared ownership and low cost home ownership products such as First Time Buyer Initiative. From our experience this is for two reasons:

— this supply will free up existing social rented homes if it is targeted to tenants and others on housing registers who aspire to home ownership and are in employment on modest/low incomes; and
— house price inflation has put home ownership out of the reach of most people seeking to enter the property market for the first time in Barking and Dagenham.

The key local issue is that of affordability. With an average income level per person of £22,000 pa in 2005 for those in full time employment in the borough, properties advertised as being affordable can be quite literally unaffordable. There is a strong appetite for low cost home ownership in Barking and Dagenham—a recent survey of the 1,350 tenants of the Council’s high rise blocks outside the estate renewal areas showed that 30% expressed interest in this tenure. This was on a response rate of over 60%.

The Council also believes that the focus which had existed on key worker accommodation at the expense of general provision for those in jobs with modest/low incomes was misguided. This was compounded by the preponderance of the accommodation being developed under this form being 1 and 2 bedroom apartments. It is important to stress the need for higher percentages of family sized affordable housing, including social rented.

Geographical distribution of subsidies for affordable housing

In a market economy it seems sensible to focus housing resources on growth areas rather than hope to stimulate economic activity through housing investment in areas of the country with relative low demand. We also believe there should be greater emphasis on redevelopment and intensification of existing town and city centres. The economic case for this approach is based on the fact that the social and transport infrastructure already exists, though there is likely to be a need for this to be upgraded and extended. Beyond this point, towns and cities are also likely to be more attractive to people as potential residents as these will have communities and benefit from an established sense of place.

The added advantage of this intensification is that it will reduce pressure on developing green field sites.

The future role for local authorities as builders and managers of social housing

There is considerable local support in Barking and Dagenham for the Council to maintain these roles. This is borne from the experience of tenants of the Council in terms of the responsiveness of services which are locally based. There is also support for the principle of direct democratic accountability to the local community. This was evidenced by the survey of all 23,000 Council tenants/leaseholders as part of the decent homes option appraisal, which brought 5,000 responses, of which 86% expressed support for the Council to remain as the landlord.

The effectiveness of different social housing models

The Council believes that there is a strong case for new forms of housing delivery vehicles which can bring together at a local level the strengths of potential partners. This could include harnessing the local authority’s land holding allied to its planning powers, community leadership, regeneration and housing strategy scope with a combination of perhaps the Urban Development Corporation and any Urban Regeneration Company, Regional Development Agency, English Partnerships, Housing Corporation and RSLs and their various access routes to funding programmes and possibly private sector developers.

A further advantage of this model would be that it can create a role for genuine local involvement for elected members of councils and other people in the local community, addressing in a real sense the ethos of the localism agenda.

The role and effectiveness of private rented housing in meeting housing needs

In the period since the inter war years until very recently the level of private sector housing in Barking and Dagenham has been low. The quantity and relative quality for the time of Council housing, over two thirds of the total of residential properties, the stable nature of the population and the location of the area combined to produce this position. The high incidence of Right To Buy with 20,000 of the 40,000 public sector homes sold since 1980 has resulted in a relatively recent growth in private sector renting. This is now at over 7% of all homes in the borough.
This has brought rise to two issues which are of concern to the Council and community:

— because rent levels are low compared to some other areas of London and despite an ALG protocol placing caps on numbers, there has been a significant number of placements of homeless families into Barking and Dagenham by other London Boroughs. The peak reached in 2005 was just over 1,000 families. This had many impacts, one of which was to engender a sense of transience in areas of the borough which had enjoyed relative stability; and

— the second relates to the volume of buy to let within new residential developments in Barking and Dagenham. This beginning to have an impact and is tending to undermine local regeneration projects. An important element of the Council’s strategy to bring forward new housing supply comes from estate renewal schemes, both raising housing densities and changing tenure mixes away from exclusively social rented to a balance between social rented, intermediate and market price home ownership.

Recent experience in Barking and Dagenham of new housing developments has shown that high percentages of market price homes are being sold off plan to investors. This action from developers tends to exclude local people being able to access such homes.

Within the next 10 years 3,000 flats on Council owned estates will make way for 5,900 new homes divided between the three tenure types. This approach is intended to produce positive local economic outcomes by raising disposable income levels in the borough. However, experience of recent housing developments has shown that buy to let investors are purchasing properties and in may cases the occupiers are households dependent upon benefit.

The priorities and effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in responding to housing needs

From a Barking and Dagenham perspective, much of our housing supply is connected with major complex estate regeneration schemes and other long term developments (Barking Riverside). The Housing Corporation’s National Affordable Housing Programme which is a two year programme is not conducive to helping plan such schemes. Also our experience has been that until now the Housing Corporation have not been prepared to fund reprovision of the number of affordable homes demolished as part of estate renewal schemes. This has been frustrating for the Council and in some instances hindered the viability of such schemes—despite the fact that these projects deliver exactly the agenda of Sustainable Community Plan—raising housing densities, achieving a better social balance on former estates, improving environmental sustainability and raising quality of design.

The Council also strongly believes that the borough level Housing Strategy is of critical importance in terms of identifying housing needs within local communities and coming up with plans to address those needs, which will co-ordinate with the borough level Community Strategy and be responsive generally to the community’s priorities. There is now recognition that as well as reflecting need for affordable homes there must be a broader view taken in terms of housing and the achievement of balanced housing markets. Clearly, the Local Authority at the strategic level is best placed identify and suitably respond, within the framework of the regional housing strategy (and in the case of London Boroughs, the Mayor’s London Plan).

The effectiveness of housing benefit as a means of providing access to rented housing to those in need

It has been established central government policy for many years to use the Housing Benefit system to subsidise housing costs for low income households rather than revenue subsidy for bricks and mortar for homes for people in housing need. This approach has the effect of producing a poverty trap which forms a barrier to people aspiring to move from welfare to work.

Barking and Dagenham Council is concerned to ensure that barriers effectively preventing people moving from welfare to work are lowered. This is a particular issue for homeless people who have been placed in temporary accommodation such as private sector leased properties. The combination of unaffordable rent levels and the current benefits system blocks people from becoming economically active. Rent levels for such properties are unaffordable for families unless they remain on benefit. This became a major issue for Barking and Dagenham as there were approaching 1,400 families in total placed in temporary accommodation in the borough—1,000 of these were out of borough placements from other London Boroughs. We are interested to see the outcome of the pilot “Working Futures” in operation in neighbouring boroughs. This seems to be an attempt to lowering the barriers for people moving from welfare to work. Other initiatives, such as funding the conversion of properties from temporary accommodation to permanent could also prove to be economically viable, as lower and more affordable rent levels should result.

Beyond this issue, consideration could be given to moving away from HB in relation to new build social rented homes towards higher subsidy for the build costs of these homes so that rent levels would be commensurately lower.
The role and effectiveness of the planning system, including section 106 agreements in the provision of rented housing and securing mixed tenure housing developments

Social rented homes compete with other community needs (schools, health, leisure and transport) which are required to create sustainable communities where people will want to live. For new residential developments in Barking and Dagenham we have experienced a strong tendency from the private sector to press for developments with an over provision of 1 and 2 bedroom apartments. Our concern is to produce communities which are socially sustainable—this means an appropriate balance between both tenure and property size mixes.

Whilst Barking and Dagenham accepts the London Plan 50% target for affordable housing, it should be recognised that this must reflect local circumstances in terms of existing tenure mixes. Currently approximately 37% of homes in the borough are social rented (second highest in outer London) and house market prices are the lowest in London. Therefore, to seek to impose a blanket 50% target, with 70% of this component being socially rented, would defeat the regeneration objectives of the Council and community.

Memorandum by Defend Council Housing (SRH 39)

This evidence addresses the following terms of reference of the inquiry:

— The future role for local authorities as builders and managers of social housing.
— The effectiveness of different social housing models including traditional local authority housing, ALMOs, housing co-operatives and housing associations.
— The relative funding priority being given to social rented housing as opposed to shared ownership and other forms of below market housing.

1. INTRODUCTION

Britain needs council housing. The current government policies of selling off the housing we already own and directing public subsidy for new housing provision away from councils and towards housing associations, private developers, subsidised ownership and intermediate housing have contributed to a massive housing crisis. There is a broad and growing alliance of tenants, trade unions, councillors and MPs across all parties calling for councils to be able to improve their existing homes and build more.

Current government policy has been challenged by evidence from the ODPM Select Committee ("Decent Homes" enquiry), the House of Commons Council Housing group; the Audit Commission’s call for a “review of housing finance”; 123 local authorities across the UK opting for stock retention; three consecutive votes supporting “the fourth option as a matter of urgency” at the Labour Party conference; the DCH Lobby of Parliament (Feb 2006); 149 MPs signing the current Early Day Motion for investment in council housing; and a growing proportion of tenants voting NO to transfer including Sedgefield, Stirling, Tower Hamlets, Selby, Mid-Devon, Cannock Chase and Waveney.

The ODPM Select Committee in 2004 described government policy on council housing as “dogmatic” and supported the proposals for an “investment allowance”. The Public Accounts Committee, based on evidence from the National Audit Office, said that improving homes through stock transfer was more expensive.

Whilst we welcome more investment in communities and the promise of new council homes neither is an alternative to improving existing homes and estates and providing “all” homes with “modern facilities”. Council tenants need both.

It is important to recognise that the broad-based campaign to win a “level playing field” for council housing and a “Fourth Option” of direct investment has never been just about meeting the government’s 2010 target. The central argument has been that decent, affordable, secure and accountable council housing has served generations well and continues to offer an essential alternative to the private market for three million existing council tenants, our children and millions more who need a home, today and tomorrow.

Achieving the decent homes standard is just part of what tenants have been campaigning for. Equally, if not more important, is securing the future of council housing as first class housing available to all who need it.

2. SECURE AND AFFORDABLE HOMES—THE FUTURE ROLE FOR LOCAL AUTHORITIES AS BUILDERS AND MANAGERS OF SOCIAL HOUSING

Last month Defend Council Housing published a collection of essays by leading tenant activists, trade union leaders, MPs, academics and councillors on “The Case for Council Housing in 21st Century Britain” Together these show not only why council housing is a vital public service but the massive breadth of support it commands across the country.
In his article “Housing plays a critical role”, Dave Prentis, general secretary of UNISON, explains why “the consequences of the lack of social housing are far reaching and very distressing”. Peter Ambrose, Professor of Housing Studies at the University of Brighton, argues that “an adequate supply of decent affordable homes, for rent and not to buy ... is a crucial element in the country’s infrastructure” (“What is the Housing Problem?”). He concludes:

“we must rapidly increase the stock of decent rented housing at affordable rents. In our particular housing history the most cost-effective way to do this has been with a sizeable stock of local authority rented housing using the pooled historic cost principle for rent-setting. This system, for many years a success story, became subverted by a combination of factors—commercial producers with an untested high-rise technology to sell, Treasury tight-fistedness on maintenance budgets, ideologically driven ‘right to buy’ campaigns, ham-fisted and paternalistic management practices and ghettoisation because the stock was built in large mono-tenure spreads. So the baby was thrown out with the bathwater. The obvious step is to retrieve the baby. We need an end to transfers and ill-concealed privatisation, we need massively increased direct investment in local authority housing—the ‘fourth option’—we need better maintenance and management regimes for this stock and better standards for its construction. Time is running out. The vast majority of us live in the 97% of towns where nurses cannot afford to house themselves.”

The campaign for direct investment in council housing addresses the needs of three million existing council tenants and their families across the UK and the 1.5 million on housing waiting lists (a figure which we understand is artificially low as so many are discouraged from registering).

It also offers hope—and a secure job with decent conditions—to council workers who want to provide a public service and to local councillors who believe that the provision of public services by an elected public authority is worth defending.

Precisely because the private market always fails to meet social need there is a massive demand for council housing today. We believe that if the extra investment was provided to improve council estates and to build new council homes to address the demand, then council tenants and their estates would be proud once again. As Jon Cruddas, MP for Dagenham and Rainham, argues, investment would overcome the desperation that fuels racism:

“The most acute politicisation of resources concerns that of housing. Yet it is considered through the prism of race rather than the reality of the systematic failure to provide low council housing so as to replenish that sold off. ... The policy response should be self evident. We have the most brownfield land of any other London Borough. We have a working class community literally built on the principle of council housing; we have the fastest growing and fastest changing Borough in the Capital. Our historic role as a debt free authority means more rental income goes to the centre than returns to the Borough. We have an authority and a community desperate to build more council units for local people. We are the frontline in terms of the fight against fascism. All of these issues are inter-linked. All roads lead back to more council housing units.” (“Housing Policy Failures and the Rise of Extremism”, in The Case for Council Housing in 21st Century Britain)

For too long this country has been promoting home ownership. The case has never been properly made—or proven. Ben Jackson, Shelter’s Director of Campaigns, said: “Our research looked at the bigger picture and found that people’s first priority for themselves and their children is not home ownership—but having a safe, decent home they can afford.” 72% of respondents put affordability and safe neighbourhood before ownership.

Dexter Whitfield of the European Services Strategy Unit points out the dangers of over-promoting home ownership:

“All public housing, not just council housing, is now being condemned as ‘unfit’. Having rebranded council and housing association housing as a single tenure ‘social housing’, the next move is to claim that the system ‘isn’t working’ because it has a stigma with negative impact and breeds welfare dependency. The recent Smith Institute report on ‘rethinking social housing’ claims it must be terminated as part of the ‘proactive de-concentration of deprivation’ to revitalise neighbourhoods ... New Labour has created the political space in which so-called ‘think tanks’ and consultants can develop and promote neoliberal ideas more freely. It is not only public ownership and provision which is trashed but the concept of social justice is being transformed into a narrow personalised asset-owning model. ... These ideas are not new, nor do they describe a new type of modernisation. They are rooted in neoliberalism, a conservative economic philosophy ... Council housing is a tenure which provides affordable housing to meet social needs. It meets people’s need and desire to rent rather than own a home. The vast majority of existing tenants want to remain council tenants ... The cost of council housing is collectivised, shared between all tenants in the same way as the NHS and education. This is a basic economic and political principle which makes economic sense and is a foundation of the modern welfare state. Direct democratic accountability to local government is far superior in the long term to management controlled arms length companies and quangos.” (from “Ideology subverts social housing”, in The Case for Council Housing in 21st Century Britain).
It is a complete fallacy to claim, as the Smith Institute paper does, that security of tenure causes dependency. Historically there was a variety of income spread throughout the council housing sector.

But due to the loss of stock over the years, increasingly only those with high assessed social need are likely to be successful in being granted a tenancy. Thus it is not the tenure that is the issue but scarcity and high demand. Only those most vulnerable or in greatest need can access council housing—unsurprisingly most are heavily if not fully dependent on benefits.

Without the widespread loss of council housing over many years there would have been more available to teachers, nurses and public sector workers, and indeed anyone on modest incomes who is now priced out of the market. The sector would not then be so heavily populated by benefit dependent residents.

If we had more council housing, not only would it dilute the benefit dependency issue, it would also help to create more genuinely sustainable communities. Removing security of tenure can only penalise the most vulnerable by increasing their vulnerability. As Peter Malpass puts it:

“The more successfully social housing works as a springboard for those who can afford to jump off it, the more residual will be the service that is left behind . . . What we need is a different vision for social housing, in which it is neither a springboard nor a safety net . . . Only policies designed to engender a genuinely positive image will attract people who want to stay indefinitely, not just until they can qualify for the stealth subsidy that will allow them to escape into ownership. The continued relentless promotion of the benefits of home ownership can have only negative implications for social housing. The right to buy was a disaster for social housing and cunning new plans to push up the already bloated owner occupier sector will only make matters worse.” (Inside Housing 29 September 2006)

Britain needs new housing owned by local authorities with tenants having a “secure” tenancy, lower rents and an accountable landlord. We have no problem with a value for money test for schemes of new housing. Council housing is cheaper to build, manage and maintain than the alternatives because councils get preferential rates of interest and have lower management costs.

123 councils across the UK have opted for retention—despite the government pressure. Others are likely to follow as more tenants vote No. We’ve made the financial case and clearly identified that decent, affordable, secure and accountable council housing is financially viable.

Tenants are not prepared to trade our secure tenancies, lower rents and democratic landlord for new kitchens and bathrooms and neither will they allow politicians to use the promise of building new homes as an excuse to walk away from their obligation to existing council tenants and estates.

As Austin Mitchell reminds Ministers in his introduction to The Case for Council Housing, the government was elected on a clear manifesto commitment “By 2010 we will ensure that all social tenants benefit from a decent, warm home with modern facilities.” We expect them to keep it in spirit and in word.

3. DIFFERENT “SOCIAL HOUSING” MODELS

(i) ALMOs and Local Authorities

The case for the “Fourth Option” rests in part on the principle that if all the money that broadly belongs to council housing is ring-fenced and reinvested then improvements to homes and estates to bring all homes up to modern standards can be funded and a level playing field created to maintain standards and provide council housing with a long-term secure future.

DCH and its supporters have long argued that if government has extra money for authorities who set up ALMOs, why can’t they give this money direct to the local authority if that is what tenants want? In addition, if a council’s housing department has been audited and found to be good or excellent, why waste public money setting up a private company to replace it?

Many tenants, and elected councillors, in areas that have set up ALMOs did so reluctantly and with great suspicion. Proposals to transfer majority ownership of the companies into the private sector confirmed fears that ALMOs are a two-stage privatisation strategy. Once the decent homes work has been completed most tenants will want the management of their homes to revert back to the council to avoid any future risk of privatisation taking place. Clearly any “best practice” can also be retained.

The Audit Commission in their “Financing Council Housing” report, July 2005 proposed assisting those authorities with high levels of debt arising from borrowing to build large numbers of council homes. It would make sense for government to take over the debt direct freeing local authorities to use new Prudential Borrowing opportunities.

The discussions between John Prescott and “interested parties” prior to the 2004 Labour Party conference went some way to finding a formula. This involved allowing all “good” performing councils direct access to the additional money currently available to authorities that set up arms length companies. The House of Commons Council Housing group, and more recently, the Labour Housing Group have built on these proposals. The new willingness by Ministers to look at reforming housing finance clearly opens up opportunities. What is required is ring-fencing of the resources that belong to council housing and a transparent, fair mechanism driven by the need to improve and sustain council homes across the UK.
(ii) “Community Ownership”

We are cynical about the government’s attempt to put fresh energy into promoting more “community ownership of homes” (From Decent Homes to Sustainable Communities, June 2006). There is no evidence that any of the options proposed in that paper lead to “much greater tenants involvement in decision making”. Tenants and their supporters will not be distracted from the two overarching issues of decent homes, and building council houses with secure tenancies.

“Proper accountability to local tenants and residents” is a fine principle to uphold. But we should aspire to better than boasting that “Tenants have participated in options appraisals and are board members of ALMOs and housing associations”. RSLs are increasingly remote and unaccountable multi million pound national businesses generating huge surpluses. The lack of power and significance of board members has been exposed by both the Audit Commission’s report and research by Liz Cairncross for the Housing Corporation.

Perhaps the following observation helps explain why tenants do not value the tokenism of tenant directors: “Many tenants of such housing associations feel that they are on the board to ‘represent’ a constituency of tenants . . . This is not compatible with the accepted principle that dictates that as a board member they have to work for the interest of the organisation that is, that the directors responsibility takes supremacy . . .” “Often this misapprehension is a direct result of mis-selling the role at the time of the ballot.” (Improving Services Through Resident Involvement, June 2004.)

In our experience terms such as community ownership or increased tenant involvement are usually an alibi for a drive towards privatisation. Council tenants, in common with the rest of the public already own our council housing. Our researches have shown that so-called community ownership options such as “Community Gateway” or “Community Mutual” type registered social landlords are just privatisation with a fancy wrapper.

The key thing about any RSL is the fact that they borrow money from the banks—no amount of rhetoric about community involvement is going to take away the control that lenders have and the way that affects the culture of an RSL.

The government claims that making tenants “shareholders” will empower tenants but there’s no basis for this. Tenant “shareholders” in a Community Mutual or Gateway organisation won’t even have the right to elect the whole board. Tenants on the board will be in a minority and their hands will be tied by company law.

A report for the Welsh Assembly on Community Mutuals has shown that transfer RSLs and genuine co-operatives have almost nothing in common (Housing, Mutuality and Community Renewal: a review of the evidence and its relationship to stock transfer in Wales, Sept 2004). It is not acceptable that the government is trying to hijack the ideas of the co-operative movement to support privatisation. True community ownership is publicly owned, democratically accountable council housing, where individual tenants and tenants associations have a direct democratic relationship with their local political representatives.

(iii) “Mixed tenure”

Mixed tenure is another fashionable concept of which tenants are understandably cynical. No one would object in principle to the idea of supporting mixed and sustainable communities, but all too often this means pushing council tenants out of inner cities to make way for luxury developments. Perhaps the idea of mixed tenure would be more warmly welcomed if there were proposals to commandeering land in areas of luxury private housing to provide new council homes.

As Dot Gibson, secretary of the National Pensioners Convention, Greater London Region, points out, communities are “sustainable” with adequate support and resources. “There was a community. For 45 years [my Dad’s] neighbours were his friends and he had seen their children grow up. There was a housing office and advice centre, a community hall and then Council employed wardens on hand in his old age. This is the kind of housing that is needed to cater for all generations and to ensure the development of communities where children and old people feel safe. That’s why the NPC Greater London Region supports the Defend Council Housing campaign. For today we see the erosion of planned publicly owned housing.” (“There was a community!” in The Case for Council Housing in 21st Century Britain.)

For council tenants, watching new posh neighbours drive in to their gated home across the road or young professionals buying up ex-council homes as the first step on the home ownership ladder, doesn’t lead to wealth rubbing off—it increases resentment and fragments communities at the expense of those with least money.

We do not believe that privatisation, home ownership and asset stripping our estates to provide luxury homes will improve the conditions of the great majority.
(iv) Value for money considerations

Ministers are wasting public money. With access to lower interest rates and by using in-house expertise councils can build, manage and maintain homes cheaper than the private alternatives.

Investment via stock transfer may take most of the expenditure “off balance sheet” but it is more expensive (£1,300 more per home than if the council did the work according to the Public Accounts Committee) and there is a large hidden cost to the public—which is “on balance sheet”. The public loses the asset (and the continuing value from it after 30 years which is not included in the transfer price calculation); Treasury pays more in Housing Benefit costs as tenants’ rents increase, and there are increasingly hefty early redemption payments on loans before the sell-off can take place.

This is on top of the army of consultants paid out of the public purse to advise and “facilitate” transfer.

Good and excellent performing councils have unnecessarily spent tenants’ money on setting up a new private company (often acquiring new offices, expensive re-branding and increasing senior managers’ pay) just to meet the government “arms length” criteria to access the additional money on offer to ALMOs.

Millions more have been poured into endless headline grabbing shared homeownership schemes—priced beyond the means of most in housing need. The latest example is “key worker” homes built with public subsidy being sold on the private market because they were unaffordable to key workers.

Public subsidy that once went into council housing and was then diverted to Registered Social Landlords is now on offer to private developers to add to their profits. There has been no public debate on this policy shift.

By finally dropping a dogmatic insistence on promoting private alternatives to council housing Ministers can meet the aspirations of millions for first class council housing and save money at the same time.

4. Relative Funding Priorities

Putting public money into “bricks and mortar” rather than subsidising a growing army of private landlords makes ideological and economic sense.

There are plenty of places the government could find money to improve council housing, meet its manifesto commitment and allow councils to build again:

— Housing associations are sitting on accumulated “non-earmarked surpluses” worth more than the entire £3.9 billion national affordable housing programme for 2006–08 (Inside Housing, 11 August 2006). Much of this was paid for through public subsidy. It should be reinvested through interest free bonds or loans. Democratically elected councils with a strong local mandate can then get on with improving existing and building new council homes their constituents are demanding.

— Income received from stock transfers, though scandalously undervaluing council housing and land to give it away for next to nothing, has nonetheless produced £5.86 billion “Total Transfer Price” which should be reinvested (UK Housing Review 2005–06).

— “: the abolition of mortgage interest tax relief (MITR) . . . has boosted tax receipts by £30 billion, plus a further £3 billion each year; receipts from the Right-to-Buy sales of council housing that have yielded around £45 billion—only a quarter has been recycled into improving public housing; . . . Stamp Duty on property sales . . . last year brought in £6.5 billion” (Joseph Rowntree Foundation 01/12/05).

— £13 billion was taken out of council housing between 1990 and 2003 through the “Daylight Robbery Tax”. That’s almost two-thirds of what was then needed to bring all council homes up to the Decent Homes standard.

— Council rents are set to rise via “rent convergence” but Ministers say “There are no plans to ring-fence rental income within the national housing revenue account” (Housing Minister, Yvette Cooper, PQ answer 25/01/06).

— Government is offering subsidies to private developers to build so-called “affordable housing”. The Mayor of London suggests mortgages based on an income of £47,000 per annum meets the criteria!

— The housing benefit bill is unnecessarily driven up by transferring homes into the RSL sector and by needlessly raising council rents to the same level to make transfer more attractive: “public spending on bricks and mortar subsidy for council housing [fell] from £5.6 billion in 1980–81 to just £0.2 billion in 2002–03 . . . . Over the same period of time total expenditure on housing benefit rose from £2.7 billion in 1980–81 to £8.6 billion in 2002–03” (UK Review 2005–06).

— £3.6 billion is on offer to pay for housing PFI schemes.

— Instead of diverting public funds to subsidise the private sector and home ownership government should give democratically elected councils the powers to use available land to build first class public housing. As with empty homes, it would stop lenders, property companies and RSLs building up massive land banks.
— Planning (section 106) agreements should ensure at least 50% council housing as part of any new housing development—100% on any site using publicly-owned land. Why not put a “windfall” tax on super profits from land speculation and luxury house sales, and use taxation to discourage speculative land and housing hoarding.

— Housing Corporation chief executive Jon Rouse says “It is a provoking thought that the conversion of just £1.5 billion of the £13 billion housing benefit bill into capital subsidy would enable us to meet Kate Barker’s estimates of annual social housing requirements.” (Rethinking Social Housing, Smith Institute, July 2006).

All these alternative sources of funding public housing would provide the homes and communities we need.

5. Conclusion

Three million existing council tenants—and the 1.5 million households on council waiting lists—have a material interest in securing a long term future for council housing. There is now an unprecedented alliance of tenants, trade unions, councillors and MPs supporting the “Fourth Option” of direct investment in council housing.

There is deep resentment against politicians who are trying to destroy a key public service that commands so much support. Many tenants have rejected privatisation several times and many of those who reluctantly accepted ALMOs are worried that they might be cheated out of reverting back to the security of the council once the improvements have been completed. Many elected local councillors are angry at the way their role is being undermined. Trade unionists working in the public sector want to provide quality public services. MPs cannot understand why government is being so dogmatic when all the evidence is stacked against them.

The money’s there: if all the income from council housing was ring-fenced to spend on council housing then all council homes and estates could be brought up to decent standards. And redirecting some of the vast subsidies received by the private sector would give councils the power to commandeer available land and build first class homes for all those who need them.

We sincerely hope that the new Minister genuinely wants to allow councils to build new and improve their existing homes and estates, so that council housing all over the UK becomes again housing of choice—not housing of last resort.

All the evidence shows that this is clearly what tenants want.

Memorandum by the North East Housing Board (NEHB) (SRH 40)

Introduction and Summary

This is a submission from the North East Housing Board (NEHB). The NEHB welcomes the opportunity to contribute to the Committee’s Inquiry and would be pleased to contribute to further stages of the Inquiry as required.

In consideration of the issues the NEHB would wish to emphasise the following points:

— Understanding market exclusion involves consideration of a number of indicators of affordability and quality and not solely measuring average incomes and house prices.

— Whilst the chief agency for the provision of new social housing is the Housing Corporation and its National Affordable Homes Programme, the demand for social housing means that there are very obviously insufficient public sector resources to meet that demand. This means that we need to maximise other methods of providing (social) housing for rent.

— The issue is not simply one of housing numbers or supply but one of housing quality in the face of a dwelling stock experiencing significant geographical pockets of low demand.

— Sustained regeneration and commitment to housing market restructuring is needed to deliver sustainable communities across the North East and raise the quality of properties and living environments. Without this the present problems will be exacerbated.

— The rented sector should be considered as one within a context of innovative and flexible methods to allow people to access the housing market thus removing market exclusion.

— The planning system and regional planning policy set out a framework to deliver sustainable communities. Smarter use of section 106 agreements and consistent and targeted public and private investment should help to deliver sustainable communities.

Further commentary is set out in the following sections each of which are headed by the topic areas identified by the Committee.
1. The level of public funding required to meet social housing needs

1.1 Exponential house price rises since 2002 have not been matched by similar rises in incomes. Equally the number of households on local authority waiting lists has also increased over the same time period. This would suggest that the demand for social housing in the North East is rising because fewer people have the capital and/or borrowing capacity to buy dwellings. However, whilst this is a logical deduction to make it is also a crude one, which masks some of the key market experiences apparent in the North East. Consequently we are not yet at the stage whereby we can quantify this demand in terms of by how much and where it is specifically.

1.2 Although the North East has the lowest average house prices of all the English regions, average incomes are also lower than other English regions. Considering ratios of incomes to prices provides a better picture but again is a crude tool of averages, which hides extreme opposites of demand often apparent in close proximity within local authorities. Lowest quartile income to house price ratios are also a crude tool which can over emphasise how much more unaffordable an average priced dwelling is within one local authority. Again this fails to consider intra-local authority dynamics. Equally the lowest quartile ratio diverts attention from the fact that 10% of North East households cannot afford social rented accommodation without housing benefit (this represents two fifths of the lowest quartile). Importantly this final point confirms that aspirations to become an owner-occupier may be unachievable in some instances.

1.3 Although more households have registered on council waiting lists there has also been a rise in difficult to let dwellings. Equally the establishment of Choice Based Letting means that people can be on more than one council waiting list and remain there until a property meeting their needs and aspirations becomes available. This suggests the potential for some logical but unavoidable double counting when aggregating local authority waiting lists. It also illustrates a fundamental principal when observing the North East housing market, which is that quality and choice go hand in hand.

1.4 The North East suffers from geographically distinct areas of low demand, which correspond with the most deprived areas identified in the Indices of Multiple Deprivation (2004). Historically these have been the concentrations of workforces serving traditional industry and were built in large concentrations in the urban areas to meet needs and aspirations, which have outstripped the capacity of dwellings to change and meet them. This is reflected by the recent increase in difficult-to-let dwellings in the local authority and RSL sectors in Tyne & Wear between 2004 and 2005. This rise was significant enough to increase the figure for the region despite falls in the other three administrative sub-regions (Tees Valley, Co Durham and Northumberland). This suggests that quality is a fundamental issue within the rented sector as well as in the owner occupied sector. Further evidence shows regional vacancy exceeding 3% and significant unfitness within the council stock of those local authorities known to experience pockets of low demand. Large sections of the dwelling stock are ineffective in providing housing that meets the needs and aspirations of the population irrespective of whether they are rented or owner occupied.

1.5 Market exclusion is influenced heavily by the quality of dwelling stock for many reasons. Living space in sustainable locations does not meet people’s needs and aspirations thus depriving the market of capacity. This can act as a deterrent to people at various stages of their housing careers and not solely first time buyers. Owner-occupying households can often find themselves locked into home ownership in low demand, non-decent properties they cannot afford to maintain. Even if sale is a practical reality, the equity released would be insufficient to purchase something better. This hidden affordability is a more insidious form of market exclusion which is dependent on quality and locks certain parts of the market.

1.6 The North East Housing Aspirations Study (2005) showed clearly that people of all backgrounds and incomes sought good quality housing in attractive and predominantly suburban living environments. Greatest dissatisfaction with housing and living environments is in low demand areas.

1.7 The North East needs continued long term commitment to the deal with market failure in order to deliver better quality housing. This will ensure that large segments of the dwelling stock function properly, do not place market pressure on more popular areas inflating them further and provide a mixed tenure solution. Social housing need is therefore part of the wider need to fundamentally remove market exclusion and accept that the rented sector as a whole (public, RSL and private) offers a combined solution along side owner occupation.

2. The relative funding priority being given to social rented housing as opposed to shared ownership and other forms of below market housing

2.1 The North East Housing Board recognises that both social rented housing and shared ownership are mechanisms that help alleviate market exclusion by giving people access to the housing market. Not all of the region’s housing problems will be alleviated with housing based solutions. The housing based measures required are reflected in the priorities set out in the Regional Housing Strategy (2005):

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To rejuvenate the housing stock to meet 21st Century aspirations, replacing market failure with high quality housing in the right locations to help create successful, cohesive and sustainable communities.
To ensure the type and mix of new housing provides choice, supports economic growth and meets housing needs and demand. This will reflect the diversity of urban and rural communities and the needs for affordable, family and prestige housing.

To secure the improvement and maintenance of existing housing so that it meets required standards, investing in sustainable neighbourhoods.

To promote good management and targeted housing investment to address specific community and social needs, including an ageing population and the needs of minority communities; this will be integrated with the Supporting People programme and promote greater community involvement.

2.2 The funding for which the NEHB is directly responsible is the regional housing capital allocation provided by Government. This is known in the region as SHIP (Single Housing Investment Pot). Whilst this is a useful source of pump priming cash it represents only a fraction of the total public sector housing investment in the North East, which in turn is a small proportion of the amount of private sector investment. The NEHB has moved away from formulaic methods of allocation within the region and this money is allocated to activity directly linked to the objectives in the RHS (2005) set out above. The table below sets out the SHIP funding for the period 2006–08 as shown below, which was endorsed by ministers in 2006.

Table 1

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<tr>
<th>Strategic Objective (shorthand description)</th>
<th>Eligible Activity</th>
<th>Total Prog 2006–08 £m</th>
<th>Local Authority £m</th>
<th>NAHP* £m</th>
<th>GTSG** £m</th>
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<tr>
<td>1. Regeneration &amp; Renewal</td>
<td>Masterplanning, acquisition, CPO, Clearance, New Build</td>
<td>85.600</td>
<td>28.600</td>
<td>57.000</td>
<td></td>
</tr>
<tr>
<td>2. Other Affordable Housing (outside Obj 1 areas)</td>
<td>New build including rural areas and market towns</td>
<td>14.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Improving Existing Stock Public Sector Decent Homes</td>
<td>— Public Sector Decent Homes</td>
<td>36.630</td>
<td>36.360</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>— RSL Decent Homes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Sector Decent Homes</td>
<td>— Private Sector Decent Homes and private renewal</td>
<td>20.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RSL Sector Decent Homes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Supported Housing and Community Needs</td>
<td>DFG “top-up”, accessibility, homelessness, gypsies and travellers, vulnerable groups, new build</td>
<td>22.270</td>
<td>11.770</td>
<td>9.895</td>
<td>0.605</td>
</tr>
<tr>
<td>Regional Totals 2006–08:</td>
<td></td>
<td>178.678</td>
<td>96.730</td>
<td>81.073</td>
<td>0.605</td>
</tr>
</tbody>
</table>

*NAHP: National Affordable Homes Programme (via Housing Corporation).
**GTSG: Gypsies & Travellers Sites Grant.

3. The geographical distribution of subsidies for affordable housing

3.1 Funding for affordable housing can come directly and indirectly from numerous public, private and voluntary sources. The table below shows the geographical distribution of National Affordable Housing Programme 2006–08. It shows the majority of funding is in the urban local authorities. It also shows that £60 million is a small amount of money providing for only 1,193 dwellings.

3.2 The figures below exclude an additional £21 million to the Housing Corporation from 2006–08 to complete schemes committed in the previous programme. This figure forms part of the £81 million under Housing Corporation shown in table 1 above.

Table 2

<table>
<thead>
<tr>
<th>National Affordable Housing Programme 2006–08—New Schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Housing Corporation Grant</td>
</tr>
<tr>
<td>Darlington</td>
</tr>
<tr>
<td>Hartlepool</td>
</tr>
<tr>
<td>Middlesbrough</td>
</tr>
<tr>
<td>Redcar &amp; Cleveland</td>
</tr>
<tr>
<td>Stockton-on-Tees</td>
</tr>
<tr>
<td>Tees Valley Sub-Region</td>
</tr>
</tbody>
</table>
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4. The future role for local authorities as builders and managers of social housing

4.1 Local Authorities and RSLs are presently providers of social housing although local authorities have not directly built stock for many years. RSLs in the region have been involved in building programmes directly or as partners with private developers whereby they operate rented portions of new developments, sometimes secured through section 106 agreements. It is also not unusual for the local authority to retain or to be given nomination rights on transferred stock or on new social rented accommodation outside of its ownership. In this way although there is no direct local authority building there is provision and control of access by local authorities to ensure those in need are housed. Some LSVTs and some ALMOs are active in taking forward improvements, demolition and rebuilding work. In Pathfinder and other HMR areas Local Authorities are in the process of improvement and of demolition for replacement. This will also be important as the stock ages because it cannot last forever. The replacement and improvement are both mechanisms within the social (and private) sector which improve dwelling quality and in conjunction with wider regeneration can contribute significantly to the delivery of sustainable communities. Addressing the quality of the existing stock in this way is fundamental to meeting people’s needs and aspirations. These building activities differ from pre-1980s council house building.

4.2 A more radical approach in the future would use the housing market to alleviate market exclusion. This would involve local authorities continuing to manage access from their waiting lists to their own stock and that of RLS or private sector partners involved in the scheme. By entering into agreements with people to provide access to housing for purchase, rent or any variation of these a system of flexible access and inclusion to the housing market is provided. The agreements would return a share of any sale to the organisation involved with shared equity. Alternatively the property could be retained or sold on the open market afterwards. The scheme could only involve housing meeting particular standards which would meet the quality agenda. The system would also help generate mixed tenure areas where tenure is impossible to tell from the appearance of the property. The advantage of entering into agreements with people would be that right-to-buy would no longer deprive the local authority of access to stock. Clearly this represents a more flexible management and investment role. This would work more ideally once the present stock quality agenda is dealt with.

4.3 A return to the pre-1980s situation with direct council house building is unlikely without significant increases in funding and capacity building within local authorities. However, this should not preclude local authorities from undertaking building activity either directly or in partnership to alleviate market exclusion as part of a wider strategy eg in designated housing renewal areas. However, the most important issues are alleviating market exclusion by tackling low demand and complete regeneration, together with, managing a process which provides easy and flexible housing market access.

5. The effectiveness of different social housing models including traditional local authority housing, ALMOs, housing co-operatives and housing associations

5.1 Clearly the role of managing or controlling access to housing stock, through any means, enables the least advantaged to be housed. What is equally important is the quality of that housing stock, other wise it will function inadequately. The intention of recently introduced housing models is not to enable people to
continue their poverty under different management arrangements. Wider regeneration is required to equip people with the ability to work and improve their own circumstances whilst being provided with decent quality residential accommodation. Essentially there is a need to deliver sustainable communities in their widest sense. Although housing is a fundamental element of this, delivering sustainable communities is about more than simply supplying a dwelling and ought to be considered as such. Equally who supplies the dwelling is less important than whether people can access it with flexibility to buy, rent or any combination of these.

5.2 Although there have been increases on council waiting lists and choice based lettings, continued vacancy and the presence of difficult-to-let and low demand demonstrate that demand is measured against needs and aspirations. In practise this represents unsustainable communities and illustrates the conflict between qualitative judgements and purely numerical allocations of people to spaces.

5.3 If there is a weakness or ineffectiveness it is in wider regeneration of people and areas and this is apparent by people choosing where not to live. The effectiveness of various models can be judged by how far they are successful in helping to deliver sustainable communities. Larger management organisations like local authorities offer distinct advantages in that they can make improvements, take beneficial decisions and offer housing in a way that has an impact on a large share of the stock.

6. The role and effectiveness of private rented housing in meeting housing needs

6.1 The role and effectiveness of the private sector in meeting housing needs has to be understood in a quantitative and qualitative context. It also has to be understood in the wider regeneration context.

6.2 Following the combined effects of Right-to-Buy and cessation of Council House building, the local authority sector has reduced in size. The RSL sector has also grown in the region, in particular following sizeable LSVTs such as Sunderland in 2001. Subject to the result of remaining ballots it is possible that as many as 11 of the 23 housing authorities in the North East will be the subject of LSVTs. In the North East the private rented sector has been growing in more recent years, possibly following the growth in buy-to-let as a consequence of property price rises and increases in the student population. It is the first choice for students outside of university accommodation and houses those who local authorities and RSLs cannot or will not. The private rented sector is also the first choice for speculators and often for pre-first time buyers whilst they assimilate capital. The role of the private sector in providing a quantity of housing for rent is significant and will continue to grow.

6.3 The quality issue in the private sector is fundamental. The sector has an almost equal share of low demand to the social rented sector and it dominates the unfitness statistics (although this is the whole private sector including owner-occupied). The English Housing Conditions Survey (EHCS) 2003 concluded that the most vulnerable and least affluent in society living in the private sector experience conditions of non-decency and poor living environments compared with those in the social sector. The NEHB also considers the Government's private sector decency target of 70% of vulnerable households living in “Decent” accommodation as a minimum starting point rather than an aspiration. Clearly it is not acceptable to tolerate a situation whereby almost one third of vulnerable households in private accommodation live in non-“decency”.

6.4 Clearly local authorities, ALMOs, larger RSLs and LSVTs are able to invest in a large stock and make a significant beneficial difference on mass. Any mass improvement in the often small and multiple ownership of the private rented sector would depend on the collective efforts of owners to improve the general condition of their private rented stock. The private sector has a differing record of achieving this with some diligent landlords and some not. Equally the private rented sector has limited effectiveness in delivering major regeneration of people and areas but this should is to be expected. It is rare to find total private ownership of one geographical area. Private sector landlords are more appropriately seen as partners in regeneration activities. Effectiveness must be judged on how well the private sector embraces and participates in regeneration and delivery of sustainable communities.

6.5 The private rented sector will only begin to fulfil its role in meeting need effectively when those most in need of rented housing can use the private rented sector and be afforded the same or better quality of property and living environment as those in the social sector. In future it will be less important to distinguish between private and social renting and more important to consider renting as a whole. Newly introduced licensing arrangements should help to narrow any gap in relative standards. If one assumes local authorities and RSLs alone are not able to deal with all of the need then the private sector clearly must offer an additional option within the rented sector as a whole.

7. The priorities and effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in responding to housing needs

7.1 The priorities for responding to housing needs in the North East are set out clearly in the Regional Spatial, Economic and Housing Strategies and the Northern Way Growth Strategy. All recognise the important role of housing in delivering sustainable communities and, crucially, that the North East is affected by large concentrations of dwellings and living environments that do not meet peoples needs or aspirations.
7.2 Both English Partnerships and the Housing Corporation are members of the NEHB, and endorse the priorities and objectives set out in the Regional Housing Strategy (2005)—see above—to meet the region’s housing needs. The Housing Corporation is responsible for managing delivery of the National Affordable Housing Programme (NAHP) which forms a component of the Single Housing Investment Pot (SHIP) (see above). The NEHB, Housing Corporation and English Partnerships also cooperate on the various elements of the HomeBuy and First Time Buyers Initiatives.

7.3 The NEHB has to date produced two regional housing strategies which identify and priorities the region’s housing needs. The make up of the Board involving English Partnerships, the Housing Corporation, North East Assembly, One North East (the RDA), Government Office North East and private and voluntary sectors has facilitated cross-sector buy-in and agreement on these priorities. Both strategies were produced on time and endorsed by ministers. Similarly the Board has received ministerial endorsement for proposed allocations for SHIP for two funding periods; 2004–06 and 2006–08. Again the make-up of the Board has promoted cross-sectoral agreement on the recommendations made to ministers for the allocation of SHIP. The allocations for SHIP funding were based directly on meeting the agreed regional priorities set out in the Regional Housing Strategy to ensure that identified need and available funding combined to ensure effective delivery.

7.4 The first round of SHIP for 2004–06 has only recently completed and the second round of funding only recently commenced. As not all schemes are complete and SHIP has often provided funding for part of rather than an entire scheme its long term success is not yet clear.

7.5 The close working relationship between the Regional Assembly and Regional Housing Board has led to close alignment between the Regional Spatial Strategy and Regional Housing Strategy. The recent merger of NEHB with the Regional Planning Body cements further this close alignment. The NEHB is encouraging greater integration of planning and housing issues at the sub-regional and individual local authority levels. It is also promoting more cross-sector and cross-organisational collaborative working.

8. The role and effectiveness of the planning system, including section 106 agreements in the provision of rented housing and securing mixed tenure housing development

8.1 According to Planning Policy Statement 1 the role of the planning system is to deliver sustainable development. Under the Planning & Compulsory Purchase Act (2004) Regional Spatial Strategies provide the strategic land use planning framework under which Local Development Frameworks are prepared. Housing forms one element of land use planning policy and clearly has numerous spatial consequences which the planning system deals with. North East regional planning policy focuses regeneration and development in settlements, in particular the major urban areas. It aims to deliver sustainable communities by coordinating the proximity of land uses and ensures that the infrastructure, service and amenity requirements associated with development are present. Section 106 agreements provide a mechanism to deliver these requirements where they do not exist and do not solely deal with affordable housing. Although, the proposed Planning Gain Supplement intends to use Section 106 only to deliver affordable housing in the future.

8.2 Historically the implementation of section 106 agreements has been limited in the North East due to low land values. However, favourable market conditions in the current decade have increased land values and developer interest in the region As a consequence there is considerable scope for the region to make smarter use of section 106 agreements to deliver more affordable housing and other important planning obligations.

8.3 The Submission Draft Regional Spatial Strategy (2005) sets out a requirement for local authorities to “consider the level of need for affordable housing and other planning obligations in the development of all housing sites”. Therefore many local authorities are now putting in place policies to deal with section 106 agreements in their local development frameworks. This needs to be matched by the appropriate administrative systems and good practise which together help provide developers with certainty. This work is beginning but the operational procedures will need to bed down before effectiveness can be judged.

8.4 Clarity over the operations of the proposed Planning Gain Supplement would assist in the delivery of important infrastructure, service and amenity requirements associated with housing development.

BOTH 9 AND 10 ARE ANSWERED TOGETHER

9. The effectiveness of housing benefit as a means of providing access to rented housing to those in need

10. The impact of the operation of Council Tax Benefit on the affordability of rented housing

9 and 10.1 Those on the lowest 10% of incomes in the North East cannot afford to social rent without the assistance of housing benefits. Clearly those also able to claim Council Tax Benefit are in a position where this enables them to better afford to pay rent on accommodation. Therefore there is advantage in that accommodation is being made more accessible to people.
9 and 10.2 However, this is a crude tool and does not guarantee people who receive it any level of quality in accommodation. In some cases these benefits may fund the activities of private landlords who choose not to upgrade or provide decent housing but make a significant return on their properties. Given the laws of supply and demand the cheapest properties in the private sector are usually in areas where people would not normally choose to live, often areas of low demand. The inflated property prices, funded by benefits can actually make CPO and housing market restructuring activity more expensive and therefore also risks slowing the rate of housing renewal.

9 and 10.3 Clearly these benefits form part of the wider market for rented accommodation and a more free thinking approach may involve a user defined system where people qualify for assistance to live in any area and can choose to buy, part buy or rent at the end of which time the LA or RSL can sell the property again on the open market.

9 and 10.4 If these benefits were withdrawn completely the most vulnerable may well not be able to pay the increase in rent that was previously covered by benefits and would become homeless. Any alternative approaches would need to offer the same or better value for money to be regarded as more effective.

Memorandum by Professor Tony Crook, Ms Sarah Monk, Dr Steven Rowley and Professor Christine Whitehead

KEY POINTS

— Section 106 both enables land and provides finance — the land is particularly important as RSLs cannot usually compete on market for “normal” sites.
— Section 106 contributes to mixed communities as well as supplementing public subsidy.
— Output has been increasing over past five years and is now 55% of all new affordable housing.
— The bulk of Section 106 affordable housing goes to the most pressured areas in the South — there has been a major shift in the location of provision to more pressured/expensive areas.
— While nearly ⅓ of Section 106 units also require public subsidy, this is partly because of competing planning gain and/or costly sites (brownfield).
— Planning Gain Supplement is designed to provide infrastructure funding, capture planning gain from the full range of sites including smaller sites currently below Section 106 threshold, and speed up the planning process.
— Section 106 is both a funding and a delivery mechanism, whereas PGS is just a funding mechanism, partially hypothecated on infrastructure.
— Section 106 meets identified local needs yet is flexible in relation to specific sites while PGS is nationally collected.
— Barker report recognised the benefits of maintaining Section 106 for affordable housing to be allocated prior to assessing PGS.
— Current Section 106 can be made to work better — very few schemes above threshold do not include affordable housing (the evidence on proportions of sites includes large numbers below threshold).

INTRODUCTION

We are pleased to have the opportunity to submit evidence on this important topic. Over the last seven years we have collaborated on a series of studies examining the output and outcomes of the use of planning gain (or Section 106 agreements) to secure more affordable housing in England. We are restricting our evidence to this aspect of the supply of affordable rented housing. In this short note of evidence we review the key findings and policy implications of five large scale studies which draw not only on official statistics and case studies of local authorities, but detailed examination of 80 sites for which Section 106 agreements were signed in or before the year 2000.

We look at the numbers produced, where they are located and how they are funded. We conclude by identifying the implications of our findings for future policy in this aspect of rented housing provision.

104 Prof Tony Crook is Pro Vice Chancellor & Prof of Housing Studies and Dr Steven Rowley is Research Fellow in the Department of Town & Regional Planning at the University of Sheffield; Sarah Monk is Deputy Director of the Centre for Housing & Planning Research at the University of Cambridge, and Prof Christine Whitehead is Prof of Housing in the Dept of Economics at the LSE.

THE ROLE OF PLANNING GAIN POLICY

Almost all estimates of the number of new affordable homes required to meet newly arising needs in England and to clear the accumulated backlog are far in excess of what is currently being produced. Moreover, in recent years the number of new affordable homes completed has been falling, from just under 45,000 in 2000–01 to 29,000 in 2002–03, albeit with a recent welcome increase since then of 4,000 to reach a total of 33,000 in each of the last two years (2003–04 and 2004–05) for which we have data.

The decline reflects several factors, including the availability of public funding (that is Social Housing Grant or SHG) and the increasing difficulty that Registered Social Landlords (RSLs) have in finding suitable sites. This is where Section 106 agreements potentially help to increase new output. They enable local planning authorities to negotiate contributions of affordable housing from private developers when they apply for permission to develop new housing schemes, provided the authorities have clear statements of need and affordable housing policies in their local development frameworks.

The reasons for using Section 106 to increase the supply of affordable housing are open to several interpretations. Section 106 can be seen mainly or partly as a means of ensuring that land is available for social and other affordable housing by requiring the private sector to make provision on market development sites. Hence it can also be a way of building socially mixed communities by ensuring affordable and market housing are constructed on the same site.

Another interpretation is that Section 106 is a means of subsidising affordable housing and hence of providing an alternative (or supplement) to SHG subsidy. This can happen when developers agree to provide sites or affordable housing at less than the market price for the land or less than the cost of providing the houses. This ensures that the requirement for SHG is less than otherwise—even possibly meaning that no public subsidy is needed at all. In these circumstances developers’ costs may be passed on to landowners by paying less than the price that would have to be paid for the land if the Section 106 obligations did not exist. If the developers’ costs are defrayed this way we can think of it as a kind of betterment tax (i.e., a tax on the development value of the land) but one which is locally negotiated, specific to the site, and hypothecated for affordable housing.

The use of Section 106 for securing affordable housing is but one use of this planning gain mechanism. Hence supplying affordable housing through Section 106 can be one of several competing demands that planners place on developers’ contributions.

Whatever interpretation is appropriate (securing land, securing finance, or securing both), one of the problems with using Section 106 is that the supply of affordable homes is inevitably dependent on the varying fortunes of the private house building market. This potential problem becomes more chronic the greater the proportion of new affordable homes that are secured by Section 106 agreements.

The numbers: how many new affordable homes are secured by Section 106?

In many respects the news is good—and getting better. In the five years since 1998–99 new affordable homes approved in new Section 106 agreements have risen from 14,000 a year to 37,000 a year in 2004–05. It takes time for approvals to come through as completions, but these too have been rising steadily from 9,000 in 1999–2000 to 18,000 in 2004–05. Our evidence suggests that most approvals are ultimately completed and the numbers negotiated are actually delivered. Where there are changes between agreement and completions these are on large development sites where delays are common and are not specifically related to the affordable housing element of agreements but to the complexities of the development process on large schemes. We estimate that approximately 80% of affordable homes that are negotiated through Section 106 agreements are delivered, a percentage that is consistent with the proportion of all dwellings on sites with planning permission that are completed.

As the numbers completed have risen, they have accounted for a growing share of the total of all new affordable homes, so that by 2004–05 they were 55% of all affordable completions, a significant increase on 21% in 1999–2000. This suggests that we have a growing and now significant dependence on Section 106 for our ability to meet need. However this increase reflects as much a fall in traditionally funded output as it does the increase in Section 106 completions—and shows that planning gain is only just adequate to substitute for the decline in houses funded by conventional means.

Most of the homes secured and completed are for social rented units but many are for other affordable types, including shared ownership and key worker housing. Our evidence suggests that the proportion that is shared ownership has been recently increasing, especially in the southern regions, including London. Our evidence also shows that planning authorities achieve their site-specific targets, especially where they have clear and explicit site-specific policies about targets. It also shows that affordable housing contributions are successfully negotiated on almost all above threshold sites, but that much smaller proportions of below threshold sites have such contributions.
**Land and location: where are the Section 106 affordable homes being built?**

Most of these new homes are to be found in the pressured regions of southern England. These account for 71% of all Section 106 completions in England. In the three regions of the East of England, East Midlands and the South East, Section 106 homes account for 70% of all new affordable homes (in London the proportion is 44% reflecting the importance of traditional funding sources to the capital). This overall pattern should not be surprising: first, it is where housing need is greatest and, second, these are also the regions where the housing market has been at its most buoyant, making it possible for planners to negotiate with private developers for both land and funding for affordable homes.

Our evidence also shows that the affordable homes on Section 106 sites are in the more expensive areas of England. They are either in the more expensive parts of “down” market areas or in the less expensive parts of up market areas (using neighbourhood classifications as proxies for “market” and house prices as proxies for “expensive”). This is not surprising. The sites have to be in areas where the private market is active and where development values are sufficiently high to extract developers’ contributions. To this extent Section 106 opens up areas where social rented housing has not been prevalent in the past and changes the geography of new affordable housing. Because most of the provision has been made “on site” (rather than on other sites with exclusively affordable housing) Section 106 also makes an important contribution to the mixed communities agenda. In many schemes the affordable homes are “pepper-potted” within the market housing. At the same time the market housing is often modified from that which would have been built had schemes been made up only of market units, with many more small dwellings and higher density schemes. There is also some evidence that shared ownership may be squeezing out social rented housing as well (shared ownership units are favoured by developers over social rented units primarily for financial reasons) and that the Section 106 units may not match the best environmental and design standards.

As well as opening up land in areas where RSLs have not traditionally developed and where they would find it difficult to compete, evidence also shows how increasingly dependent they are for land supply acquired through Section 106 wherever it is located. A growing proportion of RSLs’ sites now come through planning gain. Other sites are now increasingly difficult and expensive to acquire, making planning gain increasingly critical to the delivery of all new affordable homes.

Much of the land that is available for “non Section 106” affordable housing development comes from the public sector, including “infill” sites on local authority housing estates, and the supply of this surplus land has been in decline (although recent government initiatives related for example to surplus NHS sites may mitigate this shortage to an extent). Where sites are bought on the open market from the private sector they tend to be small, brownfield sites which are problematic and expensive to develop. Competition for these sites from the private sector has also been growing especially in southern England as an increasing proportion of private sector development is itself focused on such sites including those inner city and city centre sites developed for higher density and, often, flatted development.

**Funding**

Our research suggests that most (nearly three quarters) of Section 106 affordable housing units have an injection of public subsidy in the form of Social Housing Grant. At first sight this is odd and does not sit easily with one of our interpretations of Section 106, ie that developer contributions replace the need for subsidy. This might suggest policy “failure” but ignores the context within which Section 106 works best. Our evidence shows that planning gain delivers affordable housing in high price areas where land is expensive. What developers’ contributions appear to have done to date is to reduce the price of this expensive land to one that RSLs can afford within Housing Corporation funding guidelines. So, despite significant developers’ contributions, mounting on average to 5% of the gross development value across Section 106 sites (both the market and non-market elements), SHG is still needed to make the homes affordable and the schemes viable. In a recent calculation we have estimated that developers’ contributions on schemes agreed in 2003–04 were valued at £1.200 million. In looking at how Section 106 provides funding, we also need to recognise that Section 106 negotiations between developers and planners are not just about affordable housing contributions, but are usually about a much wider range of contributions, both in terms of physical off-site infrastructure and wider community needs, including school buildings. Affordable housing is not necessarily the highest priority and hence there may be little by way of developers’ contributions left over once other requirements have been negotiated and agreed. Thus both the expense of the land and the competing claims on planning gain explain the need for SHG, although without a clear negotiating and “accounting” framework there may well be risks that SHG inadvertently cross-subsidises these other planning “gains”.

**Summary: achievements to date**

Our overall assessment is that Section 106 has produced worthwhile results. Significant numbers of affordable homes have been produced, the numbers are growing and mixed communities have been created, all in areas of great housing need and at a time when RSLs are finding it increasingly difficult to get hold of sites. As a numbers and location policy this has therefore been a success story (although its ability to work as well on brownfield as on greenfield sites is less evident).
As for funding, the policy is less successful, even if the reasons for this are reasonably clear. They partly lie in the fundamentals; that is, the economics of developing expensive sites for social rented and other affordable housing where there are competing demands for planning gain. They also lie partly in the negotiating expertise and strength of local planning and housing officials. With clear policies that are consistently implemented (including those that explicitly say that SHG will not be available) and with good negotiating teams, planning authorities can achieve good funding outcomes although they may limit the numbers and location aspects of the “game”. In these circumstances as well it may be that landowners “pay” and that there is little call on SHG. It is important not to write off the funding aspects of Section 106 as failure. About a quarter of schemes have had no SHG and in others it has been less than “full tariff”. Hence SHG has been “stretched” and this has almost certainly secured the recent increase in output. We can be fairly confident that without Section 106 and this “stretch” of SHG the recent upturn in total affordable homes produced would not have happened.

Conclusions: can planning authorities do better? Is there another way?

Our overall evidence suggests that the Section 106 policy has now been successfully established. Local authorities are implementing it better, especially as they gain in experience and developers recognise that it is “the only game in town”. Significant numbers are coming through the system and we can expect more to come, perhaps reaching up 25,000 a year with possibly less recall to SHG. Success will depend on a whole range of factors, not the least the state of the private house-building market, while getting more funding from developers will require clearer policies and better negotiations.

But in the meantime Government has been looking at alternatives, partly because it is worried about the planning gain system generally, in terms of transparency, certainty and speed of decision making.

This is why it considered introducing an optional charge or tariff. This would give developers the choice of paying an optional fixed charge (hence certainty) or of attempting to negotiate, thus accepting greater uncertainty in the hope of paying or contributing (presumably) less. The proposed optional charge would include “in kind” and on site contributions of affordable housing as well as “cash payments”. The latter would permit local authorities to fund housing providers to purchase land elsewhere to provide the affordable element not provided on the Section 106 site. Whether such sites can be easily acquired at an acceptable price and in locations where they will contribute to promoting mixed communities is a moot point. Our work on this suggests that it is doubtful that optional charges would produce better value for money and that it would be difficult to fix the charge at the right level that both ensured developments proceeded and secured adequate affordable housing.

Whilst the Government considers optional charges it is also considering Kate Barker’s proposed Planning Gain Supplement (PGS) as the primary means of taxing the betterment arising from the granting of planning permission, with Section 106 being retained to address site-specific externalities and the provision of affordable housing. The introduction of a PGS provides a potential opportunity to tax development value formally rather than through the complex site-by-site negotiations that currently characterise Section 106. The moot questions are whether this approach would reduce land supply (as in all past attempts to tax development value) and what impact it would have on the residual use of Section 106 to secure affordable homes. Under current proposals the Section 106 contributions would be “netted off” from the development value that would be the subject of the PGS tax rate. However, should the PGS rate be less than the effective “tax rate” on the Section 106 contribution (ie the cost of Section 106 as a percentage of development value) developers will have an incentive to minimise what they provide through Section 106 so as to benefit from the lower rate of PGS. On the other hand if the PGS rate is set higher than the effective Section 106 rate, developers may well have an incentive to contribute more affordable housing than at present. We can be fairly confident that there will be a lot of uncertainty both in terms of possible PGS disincentives to bring land forward and the impact it will have on “residual” Section 106.

It is important to note that Government has said that a PGS is necessary to contribute to infrastructure and as such would be in addition to Section 106 for affordable housing. PGS would also apply to all development, thus capturing planning gain from small sites that are currently below the threshold for Section 106. The formulaic approach would replace lengthy negotiations and so help to speed up the planning system (although the evidence from earlier attempts suggests that this is aspiration rather than reality). However, PGS is purely a funding mechanism, whereas Section 106 is both a funding and a delivery mechanism. In addition, because Section 106 is negotiated on a site by site basis, it provides the flexibility that allows, for example, difficult sites to go ahead with a lower contribution. The Barker approach of Section 106 for affordable housing remaining (perhaps on a tariff basis) before calculation of PGS should help to ensure continued provision—but until the rules are in place the incentives are not clear cut either for developers or local authorities. This uncertainty alone is likely to reduce the affordable housing take.

Our provisional judgement is that the risks of introducing both an optional charge and a PGS are both high and that the current Section 106 game can be made to work better. We doubt that either alternative can yield more than the current system in terms of numbers whilst both would put the wider mixed communities and RSL land needs agendas at risk.
1. Purpose of Report

1.1 To inform ODPM of the comments made by Daventry District Council of the concerns facing the supply of private and social rented housing with reference to the issues of funding; the role of Local Authorities and the role and effectiveness of the planning system in securing supply.

2. Information

2.1 The level of available public funding to meet both local and national social housing needs is far too low. With the present problems evolving due to rising house price inflation, affordability particularly for first time buyers is a major worry, with many reports in the media and research from bodies such as the Joseph Rowntree foundation, suggesting that for many, the aspiration of home ownership is now beyond reach.

2.2 The present 2006–08 National Affordable Housing Programme for Daventry provided for a total of 154 affordable units with a potential further 16 units with reserve funding. The majority tenure of these is social rented (96), however the 2005–06 Daventry District Housing Needs Survey has indicated that due to local pressures the need for social rented has increased dramatically. In 2005, the DDC Common Housing Register stood at 1,012 individuals where as by Summer 2006 this had doubled to just over 2,035.

2.3 The DDC needs study reveals a crude need of around 400 affordable units per year within Daventry District to meet current demand levels. However as only 444 housing units in total are currently developed annually, the affordable need would be some 90% of the total housing supply within the district. This need is not going to be met under current prevailing conditions.

2.4 There is a large difference between the crude annual needs estimate for affordable housing locally and the amount of investment available for RSLs and developers to meet this need. Whereas the study suggests over the next two years approximately 800 units are needed to meet the current housing needs, only 154 units will be provided with Social Housing Grant locally, a shortfall of some 650 units. With the wider issues of Eastern European Migration and a distinct lack of current knowledge of the housing needs of these migrants locally and nationally, the actual need may be much higher.

2.5 Housing Corporation Social Housing Grant for social rented is much higher than for shared ownership unit provision. Within Daventry this amounts to some £45,843 on average for SHG awarded for social rented units, compared to an average of £51,768 for the West Northamptonshire Sub-region. In South Northamptonshire this figure rises to £73,846, a rise in grant level of approximately £28,000 per unit. As house and land prices within the south of the County are slightly higher than within Daventry, a rise in grant awarded would be expected; the average house price according to the Land Registry being some £20,000 higher. However, the increase in the level of grant seems disproportionate considering the difference in average house prices is not as high for a very similar district.

2.6 An issue facing DDC currently is the fact that the development of “Low-Cost Home Ownership” units is used by RSLs to offset the costs of providing social rented properties. Although there is a demand within Daventry for Shared Ownership properties, there is a much greater demand for social rented properties. Approximately only 100 applicants have in the past year contacted either Daventry District Council or the Northamptonshire Zone agents regarding shared ownership locally compared to over 1,000 applicants that have joined the Common Housing Register. So while there is a clear need for such properties, the demand for Social rented far outweighs it at this present moment in time.

2.7 Many RSLs and developers try to maximise the provision of Shared Ownership units upon developments to the detriment of social rented. The Daventry District Council Housing Strategy Team has communicated to developing RSLs that the local housing needs require a majority of social rented units. This view is strengthened by the fact that some recently developed shared ownership units have been slow to sell, even after heavy reductions in the initial market asking price of the properties. The demand for many-shared ownership flats locally is over-estimated and often found to be unaffordable, compared to purchasing upon the open market, where using higher income multipliers and borrowing over a longer period, from some High Street mortgage lenders can prove to be cheaper in both the short and long term.

2.8 The future role of Local Authorities in the development of affordable housing will be strictly a strategic function. Local Authorities are unable to access Social Housing Grant in order to develop affordable housing locally, whereas RSLs are able to access various forms of funding. Providing relevant and up to date need and local income information and develop local development plans to fit into sub-regional and regional strategies is where local Authorities can best influence the development of affordable housing.

2.9 This lack of available investment funding to Local Authorities has meant that the traditional model of local authority housing is outliving its usefulness. Stock transfer of housing to ALMO organisations, RSLs or housing co-operatives is sometimes necessary to ensure that new investment from central government or private sources is available to meet decent even basic decent homes standards. Although
currently meeting decent homes standards throughout its stock, local authorities such as Daventry cannot meet the aspirational expectations of their tenants/customers using the traditional Local Authority Housing model.

2.10 With an increase in demand for rented housing locally and the inability of many to purchase property upon the open market, the private rented housing market is essential within the Daventry area. The growing intermediate housing market, the massive inward migration of Eastern European migrants to work locally together with a shrinking supply of social rented properties has meant demand for private rented accommodation has risen to meet need. For many individuals who would not be seen as a priority, the private sector is vitally important tool in providing accommodation in Daventry.

2.11 The importance of the private rented sector has risen due to policies such as “Right to Buy”. Local Authority Housing Stock has shrunk massively since the 1980s. To help increase access to private stock, Daventry DC has sought to set up a Private Sector Leasing Scheme. It is anticipated that this scheme will help bring empty properties back into use, increasing the stock of homes available for private rent.

2.12 There have been some issues, which have arisen concerning housing benefit through the development of this scheme and also within the established “Homes-2-Stay” scheme, currently running within the District. This scheme, similar to the proposed Private Sector Leasing Scheme, but without the Council actually renting properties directly, has suffered due to the time lag between Housing Benefit Claims being put forward and payment to landlords being received. Although, locally, the lag between payment and claim is smaller than in many other areas, the time length it took, meant that many landlords became frustrated at not receiving their housing benefit receipts within what they would view an acceptable period of time, considering many would have mortgage payments to meet on a monthly basis. Consequently, officers involved with this scheme spend much of their time, chasing housing benefit on behalf of contributing landlords, when their time could be better utilised trying to increase the numbers of landlords involved with the scheme.

2.13 The role of the Housing Corporation in the delivery process of affordable housing is paramount. Acting as the broker of Social Housing Grant and leading on the continuous improvements in affordable housing that is being driven within this industry sector. However the Housing Corporation only has finite resources and presently as house price inflation continues, then their resources are becoming over stretched. Locally the role of English Partnerships is not as high as in other locations such as Northampton or Milton Keynes where they are substantial stakeholders in the delivery of affordable housing. Their role in delivering social rented housing, like that of the Regional Housing Boards, would be hugely dependent upon the housing need information accrued at local authority level or sub-regionally through the Housing Market Assessments.

2.14 The effectiveness of the planning system in delivering social rented housing should be improved through the development of Planning Policy Statement 3, replacing Planning Policy Guidance 3, shortly. The draft PPS3 that went out to consultation would allow Local Authorities to specify the required housing tenure and mix upon new developments, securing more social rented housing than was previously possible.

2.15 Historically, there have been problems trying to secure social rented provision upon many “affordable” housing developments with developers including some RSLs preferring Low-Cost Home Ownership units instead. It is hoped that PPS3 will be a useful tool for LAs in order for them to meet social housing needs more accurately and thereby preventing the imbalance that is currently occurring with developers wishing to mostly provide one or two bedroom flats for LCHO, as the affordable element upon most housing sites.

2.16 In order to further strengthen the role of the planning system, DDC is contributing to the development of the Northamptonshire’s 106 agreement with agreed standard countywide clauses. This project has been designed to improve the quality of such agreements within the County, ensuring some level of transparency across the county with all stakeholders aware of the clauses.

2.17 Housing Benefit and Council Tax benefit does help those on low incomes with the affordability issues associated with the private rented sector. Although housing benefit does help the most needy, there are problems associated with the qualifying threshold levels that could act as a disincentive for some to work.

Memorandum by UNISON (SRH 43)

1. INTRODUCTION

UNISON welcomes the opportunity to respond to the CLG Select Committee enquiry into the supply of rented housing.

With 1.3 million members, UNISON is the largest trade union in the UK. Many of our members work in housing departments at local authorities, in housing associations and ALMOS. At the same time a significant number of our members have direct experience of the housing supply crisis and inflated housing market costs.
The document is set out in two sections. The next section sets out our responses to the issues included in the enquiry’s terms of reference upon which we consider it appropriate to comment. The final section then sets out UNISON’s charter for homes and communities, which is our statement of housing policy priorities in the run-up to the Comprehensive Spending Review. Our response to the DCLG’s review of ALMOs is also attached for the Committee’s information. This is of particular relevance to section 2.5 below, on the effectiveness of different social housing models.

This work is informed by two recent surveys of UNISON members. One of these was a survey of members carried out by YouGov during September, the other a series of interviews conducted with members working for ALMOs.

2. Response to Issues

2.1 The level of public funding required to meet social housing needs

The last 15 years have seen a considerable decrease in the number of new homes that are built, alongside a significant increase in the number of new households. In the 10 years to 2001 the number of homes increased by 1.53 million, whilst the number of households increased by 1.524 million. Projections suggest that a significant increase in house building is required if we are to avoid major housing shortages in future years.

In these circumstances the least well off suffer disproportionately. Since 1995 the number of families in temporary accommodation has doubled to 100,000, while at the same time the number of new affordable home completions fell by almost half to 16,700 in 2004. In addition to the social costs, there are political consequences of the housing crisis too. The May 2006 local government elections saw the BNP win 11 seats on Barking and Dagenham Council, by exploiting frustration at the lack of housing to stir up hate against ethnic communities.

Also of significant concern to UNISON is the growing evidence of the impact of the housing crisis on the sustainability of our public services. As the Halifax Key Worker Housing Review recently demonstrated, the average house is unaffordable for key workers in at least 65% of towns across Great Britain. In the South West this figure reaches 100%. In London and the South East houses in 95% of towns and boroughs are unaffordable. In London the average house price is 11.1 times the annual gross average earnings of ambulance staff.

Whilst we welcome the additional investment announced in the 2004 spending review by 2008–11 the total social rented homes expected to be built each year will still only total 30,000.

Shelter have demonstrated that to meet newly arising housing need and meet the government target of halving the number of households trapped in temporary accommodation, an additional 20,000 social rented homes need to be built over the same period. This would mean a total of 50,000 social rented homes being built each year, or 150,000 over the three years. UNISON support Shelter’s conclusions and believe that new council housing should be central to achieving this target. We also agree with the analysis that has been presented by the Campaign for More and Better Homes, of which UNISON is a member, that £1.25 billion will be needed to provide the additional 20,000 social rented homes necessary to meet this target.

2.2 The relative funding priority to be given to social rented housing as opposed to shared ownership and other forms of sub-market housing

Of major concern to UNISON is the balance of public investment and use of assets over the longer term, not just between regions, but also between the proportion of market housing, shared ownership and social rent properties in meeting the challenges of housing policy.

A recent poll of UNISON members, carried out by YouGov, clearly demonstrates that there is support for shared equity schemes, including key worker products, but also a recognition that more homes should be built for social rent. Few of our members think that the priority should be given to market housing. Members were asked the following question:

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107 Halifax Key Worker Housing Review, July 2006.
The government have said that it wants more houses built to ease the housing crisis. In view of this, what do you think the government’s priority should be?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>More houses to rent from social landlords</td>
<td>41%</td>
</tr>
<tr>
<td>More houses available to buy through shared equity schemes (including key worker housing)</td>
<td>38%</td>
</tr>
<tr>
<td>More houses to buy on the open market</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4%</td>
</tr>
</tbody>
</table>

UNISON believe that if the correct balance is to be achieved action should be taken to address the trend towards an increasing share of Housing Corporation funding being spent on shared equity schemes. As evidence to an earlier ODPM Select Committee enquiry into affordability and the supply of housing reveals, the proportion of the Corporation’s expenditure spent on shared equity has increased dramatically, from around 15% during the 1990s to approximately 40% in 2006–08 programme. The Committee noted then that this is because investment in shared ownership/equity schemes enables the corporation to maximise the number of units secured per pound of public funding. We agree with the Select Committee that a limit should be set on the proportion of the Housing Corporation’s funding that can be spent on shared equity schemes. This balance should be decided at a local level, reflecting differing housing needs and demands.

2.3 The geographical distribution of subsidies for affordable housing

UNISON believes that everyone should have a choice about where to live and work and whether to rent or buy their home. UNISON also believes that affordable housing is key to the delivery of quality public services. However, as the Halifax Key Worker survey has demonstrated, the average house is now unaffordable to workers delivering our public services in 65% of towns on England.

In addition to the expansion of social rented homes, therefore, UNISON strongly support an expansion of affordable housing, including shared ownership and shared equity schemes for public service workers. All such schemes should be focused in areas where un-affordability is at its greatest.

2.4 The future role for local authorities as builders and managers of social housing

We note the increasing emphasis that has been placed on the strategic role of local authorities in delivering the government’s housing policy objectives. UNISON agrees with Ruth Kelly’s analysis that local authorities are ideally placed to take a view “across all tenures using their planning powers as well as housing policy to deliver mixed communities.” However, we do not think that this should be at the expense of local authorities’ role as social housing providers. Strong and accountable local authorities should, taking into account the requirements of the Regional Spatial Strategy, be in a position to work with Regional Housing Boards, Assemblies, as well as social landlords, to decide on the balance of local investment between different types of affordable housing and, where appropriate, to build such social homes as are required.

UNISON is not convinced that Local Area Agreements are an appropriate vehicle for delivering social housing policy. We have concerns about the democratic accountability of such arrangements, as well as the absence of effective checks and balances on procurement decisions made through these agreements.

We believe that there is significant scope for the extension of section 106 agreements, as indicated by the wide variation between different local authorities. We note Yvette Cooper’s comment that if all rural authorities did as well as the best they could deliver over 2,000 more affordable homes in rural areas every year. However, we do think that there should be more flexibility within the section 106 system, so that local authorities, particularly in rural areas, can pool revenue from a number of developments into locations where there are employment opportunities.

2.5 The effectiveness of different social housing models

We do have some significant doubts about the relative advantages of ALMOs. As our recent submission to the Government’s review of ALMOs, a copy of which is attached, argues:

- ALMOs did not emerge from a critical examination of the effects of separating the management and strategic functions of public housing management;
- some ALMOs have resisted choice based letting, which is a vital tool in providing greater tenant choice and mixed and sustainable communities; and

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110 Halifax Key Worker Housing Review, July 2006.
111 Speech by Ruth Kelly MP, Secretary of State for Communities and Local Government, to the Chartered Institute of Housing conference, 20 June 2006.
112 Speech by Yvette Cooper, Minister for Housing and Planning, British Property Federation, 23 May 2006.
— ALMOs make it more difficult for local authorities to achieve an integrated approach to complex problems facing communities. This is particularly significant in the context of Professor John Hills enquiry into the future of social housing, which is posing questions about why it is that social tenants are more likely to be unemployed and how this can be tackled.

We also note the findings of the 2004 Audit Commission report which, in a study of 20 local authorities, found that separation of the strategic and housing management functions is not one of the key drivers that improve service delivery.

As set out in 2.4 above, we believe that direct provision by local authorities provides us with the best model for delivery of social housing.

3. UNISON’s Charter for Homes and Communities

Expansion of housing supply, with priority for social rented housing

The last 15 years have seen a considerable decrease in the number of new homes that are built, alongside a significant increase in the number of new households. In the 10 years to 2001 the number of homes increased by 1.53 million, whilst the number of households increased by 1.524 million.¹¹³ Projections suggest that a significant increase in house building is required if we are to avoid major housing shortages in future years.

In these circumstances the least well off suffer disproportionately. Since 1995 the number of families in temporary accommodation has doubled to 100,000, while at the same time the number of new affordable home completions fell by almost half to 16,700 in 2004.

Whilst we welcome the additional investment announced in the 2004 spending review by 2008–11 the total social rented homes expected to be built each year will still only total 30,000.

Shelter have demonstrated that to meet newly arising housing need and meet the government target of halving the number of households trapped in temporary accommodation, an additional 20,000 social rented homes need to be built over the same period. This would mean a total of 50,000 social rented homes being built each year, or 150,000 over the three years. UNISON support Shelter’s conclusions and believe that new council housing should be central to achieving this target.

Choice and affordability

UNISON believes that everyone should have a choice about where to live and work and whether to rent or buy their home. UNISON also believes that affordable housing is key to the delivery of quality public services. However, as the Halifax Key Worker survey has demonstrated, the average house is now unaffordable to workers delivering our public services in 65% of towns on England.

In addition to the expansion of social rented homes, therefore, UNISON strongly support an expansion of affordable housing, including shared ownership and shared equity schemes for public service workers.

A UNISON member survey, carried out by YouGov, demonstrates that most members who currently rent do want the opportunity to own their own homes at some stage in the future (65%). Of this group there is strong support for shared equity schemes (64%). Amongst all members (77% of whom own or part own their homes) there is also strong support for extra help for public service workers to help them to either buy or rent in areas where they are priced out of the market. However, at the current time the scheme is not reaching UNISON members. 98% of those taking part in the survey said that they had not received any help through a key worker housing scheme when buying their home.

UNISON believe that if we are to achieve quality public services key worker housing schemes need to be significantly expanded to all areas where pubic service workers are priced out of the market. We also believe that the list of key workers should be expanded to include those in support roles, such as hospital cleaners, and that the scheme be better publicised.

UNISON members agree that the government’s priority should be housing for social rent (41%) and more housing to buy through shared equity schemes (38%). Of members who currently rent from a private landlord (10%), most would prefer to rent from a social landlord (66%).

UNISON also support the recommendation made by Kate Barker in her review of housing supply that the government should establish a market affordability goal and that this should be incorporated into the public service agreement framework to reflect housing as a national priority.

**Level playing field**

We strongly support a “level playing field” whereby local authorities have the option of direct investment in their housing stock, rather than being required to enter into a stock transfer, a PFI or an ALMO.

We note that there are a significant number of stock retaining authorities and that there is a rationale for relaxing the 2010 target for meeting the Decent Homes Standard, where investment decisions need to be coordinated with broader plans for improving mixed and sustainable communities. However, a solution must be found which allows stock retaining authorities to carry out repairs and improvements in their stock that is on a comparable scale to that enjoyed by authorities who enter into stock transfer, PFI or ALMO. We believe that this must be addressed as a matter of urgency, if the government is to avoid accusations that it is dragging its feet on bringing all social rented housing up to an appropriate standard.

**Environmental standards**

We welcome the Government’s recent consultation on the draft Code for Sustainable Homes. We note, however, that the Code, which sets out minimum standards on energy and water efficiency for new homes, is voluntary for private sector homes and compulsory for those receiving Government subsidy. UNISON believes the code should be strengthened, becoming compulsory for private sector homes and creating an obligation for all new homes to generate energy on-site by a low carbon energy source, such as solar panels, wind turbine, or cogeneration boiler.

**Mixed communities**

There is a widening divide between the better off majority who own their own homes and the minority who rent. The problem is not that too many disadvantaged people live in socially rented housing, it is that too many are concentrated in the same housing estates. At the same time our multicultural society is being undermined by the segregation of communities into particular housing areas. UNISON believe that community cohesion needs to be supported through strong local authorities that have the resources and power to promote and develop more mixed tenure developments that reflect the local population.

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**Memorandum by the Department for Communities and Local Government (DCLG) (SRH 44)**

**EXECUTIVE SUMMARY**

1. The Government believes everyone should have the opportunity of a decent home, which they can afford, within a sustainable mixed community. Provision of housing should meet the needs of the whole community and have a good balance of housing types and tenures. The Government’s policy for housing is based around three themes:

   — building homes where they are needed most;
   — offering as many people as possible the opportunity to own a home; and
   — offering greater quality, flexibility and choice to those who rent.

2. Homeownership is at record levels: over the last 50 years the number of households owning their own home has increased substantially to over 70%, with over 1 million new homeowners since 1997, as a result of lower interest rates. But there are many households that cannot or do not want to own their own home.

3. There are currently 2.5 million households in the private rented sector (around 11% of the total housing stock) and 3.8 million households in social rented housing in England, (19% of the total housing sector).

4. The number of households in the private rented sector has increased significantly since 1993 (11% compared to 9% in 1993). Prior to that point, private rented housing has been in long term decline. Supply has grown since 1993 as deregulation has increased the willingness of people to enter the rental business and also lending to individuals investing in property to rent.

5. The Government believes that a thriving private rented sector is vital to supporting labour mobility as well as offering choice and meeting need for households who are not able to move to market housing or do not wish to do so. It is particularly suitable for those who are mobile and need the flexibility that renting in the sector can bring. The private rented sector is by far the most common tenure for students and the newly qualified: 48% of heads of household are under 35, compared to 20% in social rented. The Government also sees the private rented sector as a potentially valuable housing resource for helping those in acute housing need, and encourages local authorities to improve access to the sector.

6. However poor standards in parts of the private rented sector can cause problems both for tenants who suffer and for the reputation and success of the private rented sector as a whole. That is why the 2004 Housing Act introduced a range of measures to raise standards and address some of the problems caused by a minority of poor landlords—including an improved health and safety system, mandatory licensing for larger HMOs and tenancy deposit schemes.
7. The proportion of households in the social rented sector has reduced since 1981, due largely to the increase in new build for owner occupation and sales of social rented stock through the Right to Buy, giving tenants a route into home ownership where that is their aspiration.

8. Poor standards in the social housing stock were of particular concern in 1997 and the Government made it a key priority to invest billions of pounds in raising the quality of existing homes. Sustained underinvestment meant that in 1997, local authority social rented homes needed over £19 billion worth of repairs and maintenance to bring them to a decent standard, with over 2 million homes failing the decency standard, and millions of people living in homes that could not be kept properly warm.

9. Since then, Local Authorities have had a 30% increase in funding for council housing to tackle repairs. Additional routes were provided to bring in the further investment needed, and to offer residents the opportunity to be more involved in decisions on managing and owning their homes: setting up an ALMO, PFI contracts, or transfer to a RSL. There are now 40 operational ALMOs managing 828,000 homes, and there have been 167 transfers to RSLs of over 749,000 homes. Millions of homes have already been refurbished, and by 2010 we expect that 3.6 million homes will have been refurbished and over £40 billion spent on improving the social housing stock. As a result, when the Decent Homes programme is complete, all social tenants should be able to expect warm homes with modern facilities.

10. Estimates (by Alan Holmans of Cambridge University) of newly arising need for social rented housing that cannot be met in the market or by existing stock suggest that there is demand for at least 40,000 new social rented properties per annum. In addition, there is a need to address the backlog in need arising, to reduce the use of temporary accommodation and alleviate overcrowding.

11. Investment in new social rented housing will have increased by almost £1 billion between 1997 and 2008, even alongside the substantial requirements to improve the existing stock. However land values have increased significantly over the same period placing pressure on the Housing Corporation’s budget. Provision of new social rented housing is planned to rise to 30,000 homes per annum by 2007–08, that is, an increase of 50% over 2004–05, with social housing being a key priority in the 2007 Comprehensive Spending Review.

12. Since the early 1990s, Registered Social Landlords have been the main providers of new social rented housing, supported through social housing grant provided by the Housing Corporation and leveraging in private finance. Since the 2004 Spending Review, the Housing Corporation has made significant progress in aligning programmes with objectives, widening the range of providers, achieving efficiencies in grant requirement and increasing the role played by private finance. In addition, English Partnerships supports the provision of housing across a range of tenures, particularly by bringing forward the development of brownfield and surplus public sector land. It is delivering a number of housing initiatives to provide more affordable housing.

13. Increasingly, local authorities secure social rented homes from developers as planning obligations through section 106 agreements. Draft PPS3 explains how local authorities should identify where there is a need for affordable (social rented and intermediate) housing, and set overall and site-specific affordable housing targets, and thresholds above which affordable housing may be required on a market development. It requires authorities to plan for mixed communities on the basis of housing type, and allows them to specify the size and type of affordable housing.

14. Recent research shows that the number of planning obligation affordable homes delivered increased from 10,303 in 2001–02 to 18,175 in 2004–05 (of which 65% were social rented). However, there is considerable variation in the number and value of planning obligations secured, and large numbers of homes are built each year with no developer contribution to affordable housing. The Government has issued practice guidance to help improve the system.

15. The role of local authorities is changing with greater emphasis on the determination of policy and strategy, using planning powers and housing policy in partnership with others to deliver mixed communities. Local authorities are not precluded from building council housing using their own resources or Housing PFI schemes (contracts have now been signed for 750 additional social rented units), however the majority of new social homes are built by Housing Associations as they are able to lever in an additional 40% of value (or more). The Government is consulting on new ways to build more social housing, including increasing the role of local authorities in new build.

16. Housing benefit is designed to help people with low incomes pay for rented accommodation. 3.98 million family units receive Housing Benefit in Great Britain, of which 80% are in social rented homes and 20% in private rented, at a total cost of £13.2 billion. The Government is piloting schemes to encourage lower rents and job training for those in private rented housing (Local Housing Allowance, Working Future). 4.99 million family units receive Council Tax Benefit at a cost of £3.6 billion. There is a risk that the withdrawal of these two benefits as income rises creates an unemployment trap.

17. Much has been achieved but the Government wants to do more. There are a number of streams of work in hand exploring improvements for the future. The Government is currently examining a range of new approaches to improve the delivery of social rented housing. Alongside Spending Review, the department is reviewing the relationship between the Housing Corporation and English Partnerships, John Hills has been asked to look at the future of social housing, and a range of pilot programmes are exploring new approaches (many of them set out in the consultation document, From Decent Homes to Settled Communities.)
1. Housing Supply—The National Picture

1. The Government believes that everyone should have the opportunity of a decent home, at a price they can afford, within a sustainable community. The Government aims to help ensure:
   (a) A step on the housing ladder for future generations.
   (b) Quality and choice for those who rent.
   (c) Mixed, sustainable communities.

2. Housebuilding in the UK is not keeping pace with increasing demand. Over 200,000 new households are being formed each year yet the level of new house building has averaged nearer 150,000 new homes.

3. Kate Barker’s Review of Housing Supply showed that in order to deliver long-term stability, the current level of housebuilding would not suffice. Her central recommendation was that a step-change in housing supply was required. Barker also showed how house price inflation has made home ownership in the private sector increasingly unaffordable for some groups in the population, particularly for first time buyers, with knock-on impacts on rent levels in the private sector and on demand for social housing.

4. Government’s response to the Barker Review, published in December, addressed the central Barker recommendation through setting out an ambition to increase new housing supply in England to 200,000 per year by 2016 including more market housing (for sale and rent), more shared ownership and more social housing too. In addition to the proposals to increase the supply of housing, the response comprised a package of measures to address the full range of recommendations made by Kate Barker.

5. The Government’s response made clear that we have to respond to our ageing and growing population. If we do not build the homes we need, then within 20 years less than a third of 30 year old couples will be able to afford their own homes. In addition to private housing, the response also underlined the importance of providing more support for affordable housing, including new shared ownership schemes and social housing, to respond to housing demand across the whole spectrum and meet the needs of the next generation.

6. The rest of this evidence is structured as follows:
   — Private rented sector: trends and role.
   — Social rented housing and intermediate housing: need.
   — Social rented and intermediate housing: delivery by local authorities.
   — Social rented and intermediate housing: delivery by RSLs and the for profit sector.
   — Delivery of social rented and intermediate housing though the planning system.
   — Housing benefit and council tax benefit subsidies and the effect on access to rented housing.

2. Private Rented Sector—Trends and Role

Trends in the sector

7. The private rented sector accounted for 76% of households in England and Wales in 1918. This fell to 50% in 1950, 20% in 1971, and 9% between 1988 and 1993. Since then the sector’s share of the housing market has risen and 11% housing stock is privately rented (almost 2.5 million homes).

8. The contraction of the private rented sector reflected the impact of rent control (first started in 1915), the high security of tenure enjoyed by tenants, subsidies for social rented housing, the availability of mortgages linked to tax relief and the steady rise of property prices. Prior to the 1988 Housing Act, most privately rented unfurnished tenancies were regulated in terms of rents and security of tenure.

9. The introduction of housing benefits benefited the poorest tenants. Social tenants generally had their rents paid in full, but for private renting benefit was subject to upper ceilings on eligible rents. Delays by local authorities in dealing with housing benefit payments made private landlords less keen to house benefit claimants. Although this concern may persist, the Government have put in place a number of measures to improve Housing Benefit administration, including setting clear national performance standards, regular monitoring and inspections and measures to intervene in poor performing authorities. Standards of administration have dramatically improved, both on average, and for the poorest performing councils. The roll out of Local Housing Allowance provisions of the Welfare Reform Bill should also speed up the administration of Housing Benefit.

Causes for revival of private renting

10. The Housing Acts of 1988 and 1996 allowed existing regulated tenancies to continue under the Rent Act 1977 (with security of tenure and regulated rents). But after 15 January 1989 new private tenancies were “assured” or “assured shorthold” tenancies. For the latter, a landlord can seek “no fault” possession of a property simply by giving two months notice under section 21 of the Act (but only after an initial six months unless a current contract provides for a longer period). Otherwise there are grounds for possession under Schedule 2 of the 1988 Act.
11. The proportion of private landlords using an assured shorthold contract in 2001–02 was 58% and there were 13% assured tenancies. However little over 60% of the private rented sector is actively traded and there are still many secure tenancies and tenancies that are not marketed (private arrangements, company lets to employees, tied cottages etc). Turnover in the sector is, according to the department’s Private Landlords Survey, in excess of 40% per annum.

12. On the supply side, the private rented sector has grown since 1993. After deregulation, mortgage lenders increased lending to individuals investing in property to rent. By the end of 2002 there were some 275,500 “buy to let” mortgages worth £24.2 billion. The consequence has been an increase of small investors in the sector. According to the English House Condition Survey’s 2001 and 2003 Private Landlords Surveys, the proportion owned by individual private landlords rose from 47% in 1994 to 67% in 2003 (those owned by partnerships, companies and other private organisations fell from 53% to 33%). The median number of properties owned by landlords is now just over three (nine in 1994) and about 32% of landlords let just a single property (24% in 1994—for individual private landlords the ratio is 40%).

13. On the demand side, the private rented sector has become the most common tenure for the young. SEH data shows that 48% of “heads of household” (HRPs) in the PRS are under 35, compared to 20% in social renting and 13% in owner occupation, reflecting the sector’s role in providing accommodation for the growing number of students and those newly qualified. Some 22% of HRPs in the private rented sector have a degree level qualification compared with 25% of owner occupying HRPs and just 4% of HRPs in the social rented sector. The percentage receiving Housing Benefit in the PRS has fallen from 33% in 1993 to 19% in 2005. In any one year, only 35% of private renters who can afford to buy actually move into owner-occupation. Even so, difficulties in accessing social housing and the rising costs of entry to owner occupation remain important factors on the demand side.

The Impact of “Buy to Let”: scope for new investment

14. Deregulation in the private rented sector, accompanied by financial liberalisation, encouraged the Association of Residential Lettings Agents (ARLA) in the marketing of “buy to let” schemes in the late 1990s. This followed the recovery in property prices, when there was a shortage of properties for rent. The government created a favourable environment for this, but did not specifically intervene to promote or support it. By early 2004, there were nearly 500,000 “buy to let” mortgages. Overall growth in the PRS has been less dramatic than the increase in “buy to let”, suggesting that the “buy to let” market is largely constrained by demand for the PRS as a whole.

15. The scale of “buy to let” within the sector (20% of 2.5 million PRS properties) means that its impact on the general market is still limited. There are important regional variations: in London, the “buy to let” market was 4% in 2004, below the national average, while the top markets recently have been the West Midlands and South West. In addition, buy to let investors are more likely to purchase new build, and in some areas particularly new build flats. It is unclear what impact this may be having on the new build market overall. A comparison of CML and SEH data shows that “buy to let” investors are not easily differentiated from other private landlords. Typically they are small investors buying only one or two properties and so reinforce the “small landlord” nature of the sector.

16. The better commercial lenders have encouraged landlords to adopt sensible business plans and invest in decent properties in areas with good rental prospects. So newer, better quality properties have come into the market with the emphasis on flats rather than HMOs (a declining share of the market) and some newly built units have gone straight into private renting.

17. There are several areas which have raised concerns about parts of the private rented sector:
   (a) the ability of the smaller landlords to maintain and repair their properties in the longer term;
   (b) the activities of some landlords in low demand areas;
   (c) the number of empty units in newly built blocks in central city areas, often apparently sold through investment clubs; and
   (d) the impact of concentrations of student accommodation in particular areas of university towns with consequences in terms of services, anti-social behaviour and mixed and sustainable communities.

These issues are being addressed through a number of measures in the Housing Act, 2004 and through voluntary and co-operative approaches.

Regulation and Voluntary Good Practice Initiatives

18. In April 2000 the Housing Green Paper “Quality and Choice: A decent home for all”. (and the December 2000 response “The way forward for housing”) looked for a larger, better quality, better-managed private rented sector. It saw the sector as performing below its true potential. It also saw that the quality of rented stock and its management was not always what it should be. The aim had to be to retain
the many good and well-intentioned landlords, and help them to raise their standards further; to persuade reputable investors to expand the supply of decent rented homes; and to make the worst landlords perform better, or get out of the business altogether. The specific measures needed included:

- To introduce a new Housing Health and Safety Rating System for assessing the condition of homes in all tenures.
- To introduce a compulsory licensing system for Houses in Multiple Occupation.
- To develop proposals for selective licensing of other privately rented properties in areas of low demand.
- To encourage local authority accreditation schemes and other best practice initiatives.

19. The Housing Act 2004 seeks to raise physical and management standards in the sector, particularly in the interests of those who are most vulnerable and live in Houses in Multiple Occupation (HMOs). Part 1 of the Act, and the new Housing Health and Safety Rating system (HHSRS), aims to ensure that housing is healthier and safer and replaces the prescriptive fitness regime of the 1985 Act. A key target of HHSRS are HMOs. Parts 2–4, 6 and 7 of the 2004 Act provide for HMO licensing, Selective Licensing, Management Orders (MOs), Empty Dwelling Management Orders (EDMOS) and tenancy deposit protection.

20. Since 6 April 2006 mandatory HMO licensing has applied to larger HMOs of three or more storeys and with five or more unrelated persons living in them. If they can make a case, having considered alternatives such as accreditation, local authorities can seek ministerial approval for schemes that extend HMO licensing to smaller HMOs, or selectively licence the private rented sector in areas of low demand or anti-social behaviour. In general the key purpose of licensing is to ensure landlords are “fit and proper persons” managing their property well. MOs and EDMOs enable a local authority to manage a property that is not being well managed.

21. A key message in implementing the Housing Act is that central and local government needs a thriving private rented sector, playing a full part in meeting housing need and in building sustainable communities through raising standards. This message promulgated by the Information and Development Agency (iDeA) is that local authorities need to see licensing as a way of developing a partnership with—and actually reducing the burden on—good landlords who comply with accreditation codes and who are members of landlord bodies.

22. The Government strongly supports accreditation, along with landlords’ forums and training packages. These offer scope for a co-operative and voluntary approach (between local authorities, universities and landlord bodies) to raising standards in the sector. The Accreditation Network UK has played a major role in raising the profile of accreditation and, apart from local schemes focussing on property the London-wide landlord accreditation scheme shows how regional accreditation arrangements can be of value—and support licensing.

23. A European requirement is that, by 2009 for all new lets, valid energy certificates will need to be produced by landlords. This offers a new opportunity for reducing fuel poverty in the sector and raising standards in terms of energy efficient homes. The government is keen to end fuel poverty in the sector through the Energy Efficiency Commitment (targets imposed on energy suppliers), warm front (grants to tackle fuel poverty among vulnerable households), and the Chancellor’s measures to give tax relief to landlords based on energy saving measures (such as the Landlords Energy Saving Allowance or LESA).

**Meeting Housing “Need”**

24. Local authorities use the private rented sector for those in acute housing need and there are indications that the decline in the proportion of Housing Benefit claimants in the private rented sector is levelling out. The Government have been monitoring the effect of the implementation of the Local Housing Allowance in the Pathfinder areas trialling it prior to a national roll-out in the private rented sector under the provisions of the Welfare Reform Bill. So far there has not been a significant increase in tenants defaulting in the payment of their rent as a result of ending direct payments.

25. Local authorities also use the private rented sector for those needing temporary accommodation because they are homeless and in priority need. While this can provide good quality self contained accommodation for those in need, the Government is concerned at the high cost of temporary accommodation and the impact that the rent levels have on work incentives. That is why the Government is funding Temporary to Settled Initiatives, investing £30 million for the Extra Homes Pilot to help London local authorities provide settled homes for families currently in temporary accommodation (see Chapter 5).

26. In “Sustainable Communities: Homes for All” (2005), ODPM said that local authorities should bring accredited landlords into a nationwide system of Choice Based Lettings by 2010. Furthermore local authorities should seek to improve access to—and maximise use of—the private rented sector for households who might otherwise experience homelessness, through landlord fora and schemes that provided rent deposits and guarantees.

27. DCLG has developed advice and case studies to help local authorities in developing the supply of property in the private rented sector (PRS) for tenants in varying levels of housing need. This sees the private rented sector as a potentially valuable housing resource for local authorities and picks up on the key theme
in implementing licensing, of seeking to actively engage with private landlords. Indeed there is much scope for large local authorities who are prepared to commit themselves to PRS solutions co-operating with some of the larger corporate landlords to this end.

3. **Social Rented Housing and Intermediate Housing: Need**

The current picture of the sector

28. Social rented housing is defined as rented housing owned and managed by local authorities and registered social landlords ("RSLs"—housing associations in England registered with the Housing Corporation), for which guideline target rents are determined through the national rent regime (*Guide to Social Rent Reforms*, March 2001). It may also include rented housing owned by other persons provided under equivalent rental arrangements to the above (eg by contract with the Housing Corporation). Access to social rented housing is restricted to households on local authority and RSL housing registers.

29. There are currently 3.8 million households in social rented housing in England, 19% of the total housing sector. The share of households in social rented housing rose from only 1% in 1918 to 32% in 1981 (5.5 million dwellings). It then fell to the current level of 19% (3.8 million), largely due to the increase in new build for owner-occupiers, and the Right to Buy.

30. About 28% of social rented sector stock is detached or semi-detached housing and over 40% is flats (the remainder is terraced). This is a similar profile to the private rented sector, but differs from owner occupied stock, where over 60% of stock is detached or semi-detached and under 10% are flats.

31. The social rented sector houses higher proportions of disadvantaged groups who cannot find suitable housing on the market. The proportion of heads of household of working age in full employment living in social rented housing has fallen from 67% in 1981 to 35% in 2005. An increasing number of occupants are long term sick and disabled, lone parent households, or retired. Social tenants are twice as likely as private renters to be in the bottom three income deciles, and three times as likely as owner occupiers. The proportion of white and BME households in social rented housing is roughly the same (about 30%), though there are variations between different BME groups (eg 55% of Bangladeshi households, but under 10% of Pakistani households).

32. Sustained under-investment meant that, in 1997, local authority homes needed more than £19 billion worth of repairs and maintenance to bring them up to a minimum decent standard. The Government therefore set a target by 2010, to bring all social housing into decent condition, with most of the improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups. The eradication of the backlog of repairs has been the focus of investment and since 2001 the number of non-decent homes in the social sector has been reduced by over 50%. The Government is determined to build on this success to improve the living conditions of social tenants across the country. The Government is now looking at ways that this can be achieved by not just improving homes but improving places too.

33. Since 1997, the Government has increased the funding available to Councils to invest in improvement of their stock. This year spend by Council per home is about £1,100 compared with spend equivalent of £800 in 1997. This is a 30% increase in real terms. On top of that the Government will have also made £3.7 billion available for Arms Length Management Organisations delivering improvements to council housing stock and £2.7 billion for PFI schemes by March 2008. In total over £20 billion of public money has been invested in improving council housing since 1997. An additional £7.4 billion has been levered in through independent borrowing by Housing Associations as a result of stock transfers and PFI.

Social rented housing need—levels

34. Work by Alan Holmans (of Cambridge University) and adapted for the Barker Report estimates that newly arising need for social housing that cannot be met in the market or with existing social stock is at least 40,000 new social rented properties per annum. It includes need due to newly forming households and reductions in stock as a result of Right to Buy. Not all of this need is necessarily long term; much of it could be transitional, eg following separation of a childless couple.

35. This level of new social housing need should be seen in the context of increased demand in the wider housing market. It is projected that there will be 209,000 more households per year in England to 2026, due to a rise in one-person households as well as population increases.

36. There is also a significant backlog of unmet need. This includes 100,000 in temporary accommodation and about 500,000 tenants in unsuitable (often overcrowded) homes. This backlog need can be begun to be addressed not just by new supply but also a combination of preventative measures and other forms of meeting social lets (eg temporary to permanent schemes).
37. While the majority of social rented tenants are not able to afford homeownership at the lower quartile house price at present, there are around 215,000 households who can but choose not to. The number who could afford intermediate affordable housing (eg HomeBuy) is considerably higher. Existing social rented tenants and those on waiting lists have priority in Government intermediate housing schemes (HomeBuy), as their social rented home would then be freed up to help another household.

Social rented housing need—homelessness and overcrowding

38. The Government is committed to preventing and tackling homelessness by addressing its underlying causes and symptoms. Under the Homelessness Act 2002, local authorities have a statutory duty to formulate a strategy for preventing homelessness and ensuring that accommodation and support is available those who are homeless or at risk in their district.

39. The latest statistics (published September 2006) show that in 2005–06 there were 93,980 new cases of homelessness, 22% lower than in 2004–05. This confirms a downward trend which began in 2003. Homelessness acceptances during the second quarter of 2006 were 29% lower than in the same period in 2005, demonstrating the effectiveness of prevention services. DCLG has also set a target to halve the number of households in temporary accommodation by 2010 (from just over 100,000 in 2004).

40. Households owed a housing duty under the homelessness legislation are often provided with temporary accommodation when a settled home is not available immediately. However, latest statistics show that there were 93,910 households in temporary accommodation in June 2006, a 7% reduction since the same date in 2005. 92% of these families with children have been provided with self-contained homes with sole use of a kitchen and bathroom.

41. Nationally, 46% of all overcrowded households are in the social rented sector. The trend in overcrowding for England declined in the late 1990s but has since stabilised at around 500,000 households (2%) overall. The level in London increased from 160,000 to 180,000 due to an increase in overcrowded households in the private rented sector. In London, 11% of social rented households are overcrowded, though the figure is higher for some ethnic minority groups (Bangladeshi 29%, Black African 28%).

4. Social Rented and Intermediate Housing—delivery by local authorities

Local authority role

42. The role of local councils in managing housing is changing from simply direct provision to a role where determining policy and strategy is more important. They are ideally placed to take an overview across all tenures using their planning powers as well as housing policy to deliver mixed communities. They are in the right place to work with others including RSLs, regional housing and planning bodies, the private sector and of course the local community.

43. The Government is exploring ways to increase the impact of public sector investments and public sector assets and also to find innovative ways to lever in additional funds. In June DCLG published a discussion paper “Decent Homes to Sustainable Communities”. This invited views on how best to achieve this and we have received over 100 responses as well as feedback from stakeholder groups. Responses are currently being analysed.

44. Local authorities are not precluded from building council housing. They may use their own resources for this purpose, and they may also build through PFI schemes. But it is the case that the vast majority of the national budget for new social housing goes to RSLs because they are able to build 40% more houses for the same support from Central Government, due to their ability to lever in extra private sector borrowing.

45. However, the pressing need for new housing supply means we need to look at all kinds of ways to build more housing, including strengthening the role played by local authorities. This issue features prominently in the Secretary of State’s June 2006 discussion paper “From Decent Homes to Sustainable Communities”. The paper seeks views on different ways in which we can deliver more social housing, including the building of new social homes for rent and looks at ways in which local authorities could build more homes. The responses to the paper will contribute to our examination of innovative ways in which funding can be secured from different sectors (including ALMOs—see below).

46. New build opportunities for councils with or without ALMOs could provide benefits in terms of geographical rationalisation and better management. In particular, small scale and in-fill developments in areas of majority council housing, including through section 106 agreements, could be done without introducing a new landlord. This could support more efficient and effective management and maintenance of properties and the areas around them.

47. The Government needs to take a view on the public finance implications of increased building by local authorities. This will include any use that councils may make of social housing grant to build. It will also take account of the longer term public sector borrowing impact where, for example, assets and revenues might be used to support further borrowing to do more building. In considering which proposals to support, these wider impacts would be weighed alongside the strengths of each individual plan.
Managing existing local authority stock

48. There are around 4 million social rented homes, which together form a vast asset worth around £400 billion. Yet sustained under-investment meant that, in 1997, local authority homes needed more than £19 billion worth of repairs and maintenance to bring them up to a decent standard. The Government therefore set a target to bring all social rented homes to meet minimum standards of decency, and at the same time to encourage local authorities to improve the management of their stock.

49. Local authorities have seen a 30% increase in their direct investment per home. In order to bring in the additional investment needed, additional funding routes were also provided and designed to improve performance in the delivery of services to tenants. The routes are:
   (a) set up a high-performance Arms Length Management Organisation;
   (b) enter into a Private Finance Initiative (PFI) contract; or
   (c) transfer stock to Registered Social Landlords (RSLs).

50. These programmes have the additional benefit of offering residents the opportunity to become much more involved in making decisions about the management and ownership of their homes.

51. In many areas local authorities have decided to retain their housing stock and deliver services including the capital investment required to deliver decent homes themselves. 98 local authorities have opted for retention, covering 245,000 non-decent homes as of April 2005.

52. Over £20 billion of public money has been invested in improving council housing since 1997. An additional £7.4 billion has also been levered in through independent borrowing by Housing Associations as a result of stock transfers and PFI. By the end of 2010 in total over £40 billion of public money will have been invested.

Housing PFI

53. The Housing PFI Programme continues to deliver decent homes, providing additional social rented units and help create sustainable communities by enabling the regeneration of areas. Contracts typically last between 15 and 30 years, and include initial capital works to modernise homes or build new, lifecycle renewals and ongoing housing management and maintenance for the life of the contract. PFI can also facilitate the building of homes for sale.

54. Local authorities can include new build and/or re-provision in Decent Homes PFI projects to ensure that the best value for money solution is selected for an area, including making best use of available land and resources. In these schemes tenants remain tenants of the local authority and the properties remain in council ownership.

55. Local authorities can also develop additional social rented housing PFI schemes, where they enter into a long term contract, traditionally with a Registered Social Landlord (RSL), to provide extra social housing. In these schemes the tenants will be tenants of the RSL.

56. To date £2.7 billion has been allocated for Housing PFI Schemes. Currently 13 schemes have signed which will reduce the number of non-decent homes by 9,000 and provide 750 additional social rented units (these are included in Table 3 below). Fifteen schemes are in procurement and eight developing outline business cases. Overall, the Government expects the programme to reduce the number of non-decent homes by around 27,000 and deliver over 3,100 additional social rented homes.

Arms Length Management Organisations (ALMOs)

57. An ALMO is an organisation set up by a local authority to manage and improve all or part of its housing stock. It is for the authority to encourage a businesslike and innovative approach to management of the housing stock, and it chooses which management functions are delegated to the ALMO. The total funds available for the ALMO programme are up to almost £3.7 billion to 2007–08, including £2.5 billion made available in the 2004 Spending Review.

58. There are now 40 fully operational ALMOs which have received consent under section 27 of the Housing Act 1985 and qualified for funding following “good” or “excellent” ratings from the Housing Inspectorate. A further 15 are operational, but still awaiting inspections. Another one is on the programme, but not yet operational. The inspection process ensures a good standard of management. Together, ALMOs are now managing around 828,000 homes, almost one in three of all local authority homes.

59. The Government is examining innovative ideas for high performing LAs and ALMOs to build more social housing. In some areas innovative partnerships are being explored between local councils, ALMOs and developers to build more homes. Some areas have been exploring using local authority land and mixed communities proposals to fund social rented housing that would be owned by the ALMO.

60. Like other unregistered bodies, ALMOs may now bid for social housing grant directly or in partnership with others. Grant-funded homes owned or run by ALMOs will be subject to contractual conditions, and ALMOs will need to have demonstrated their ability to own and manage.
Transfer to RSLs

61. Ownership of tenanted housing stock can be transferred to a RSL. Under its regulatory framework, the Housing Corporation will make a series of visits to a new RSL after transfer. The RSL may directly manage the housing stock or may contract the work to an agency or private company.

62. An authority is legally required to consult all tenants whose homes would be transferred, and transfer cannot go ahead if the majority are opposed. Before giving consent, the Secretary of State must be sure that the proposal is in line with the strategic aims of the authority, has tenant support, provides tenants with future protection, good management and affordable rents, and generally accords with Government policy on housing transfer—in particular to the target to provide decent homes, tenant empowerment and regeneration.

63. Since 1997, there have been 167 transfers to RSLs by 115 local authorities, involving more than 749,000 dwellings. Of these, around 358,000 were non-decent. 27 schemes have secured places on the 2005 transfer programme, covering an estimated 31,000 non-decent homes. 21 have been “held open” whilst we consider their “gap funding” requirements, to enable local authorities to transfer their stock even when the cost of making the repairs required exceeds the rental income from the homes.

64. Delivery agencies need to continue to ensure they are getting value for money and meeting the high performance standards expected. Crucial to this is the continued involvement and empowerment of local tenants.

5. Social Rented and Intermediate Housing: Delivery by RSLs and the For Profit Sector

65. Since the early 1990s, Registered Social Landlords (RSLs) have been the main providers of new social rented and intermediate affordable housing. RSLs can deliver more units than local authorities for a given amount of public expenditure because they may access private finance. Since 1988 around £36 billion of private finance has been levered in by RSLs.

Regional distribution

66. The Government established Regional Housing Boards in 2003 to ensure a more strategic and coherent cross-local authority approach to tackling housing problems. They have been responsible, in consultation with key stakeholders, for overseeing production of a Regional Housing Strategy (RHS) and advising Ministers on the allocation of resources for housing investment to address identified strategic priorities and to take account of local issues. This helps ensure that housing makes the biggest possible contribution to creating and maintaining sustainable communities. In 2006 responsibility for the Boards’ work passed to the Regional Assemblies.

67. Resources are divided between regions on the basis of a formula which includes different measures of housing need (eg homeless households in temporary accommodation, overcrowding/sharing, housing affordability) and takes account of the variations in costs across regions. The Housing Corporation programme reflects the priorities set out in regional housing strategies. The regional distribution of allocations for funding recommended by the Regional Housing Boards in the 2006–08 Housing Corporation Affordable Housing Programme is at Table 1.

Table 1

HOUSING CORPORATION 2006–08 ALLOCATIONS FOR SOCIAL RENTED AND LOW COST HOME OWNERSHIP FUNDING/UNITS, BY REGION

<table>
<thead>
<tr>
<th>Region</th>
<th>Social Rent £m</th>
<th>Social Rent No units</th>
<th>Low Cost Home Ownership £m</th>
<th>Low Cost Home Ownership No units</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Midland</td>
<td>116</td>
<td>2,637</td>
<td>42</td>
<td>2,135</td>
</tr>
<tr>
<td>East of England</td>
<td>243</td>
<td>6,153</td>
<td>72</td>
<td>3,840</td>
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<tr>
<td>London</td>
<td>1,051</td>
<td>10,439</td>
<td>409</td>
<td>11,251</td>
</tr>
<tr>
<td>North East</td>
<td>56</td>
<td>922</td>
<td>5</td>
<td>257</td>
</tr>
<tr>
<td>North West</td>
<td>141</td>
<td>2,238</td>
<td>63</td>
<td>1,913</td>
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<tr>
<td>South East</td>
<td>502</td>
<td>9,341</td>
<td>169</td>
<td>7,301</td>
</tr>
<tr>
<td>South West</td>
<td>248</td>
<td>5,600</td>
<td>51</td>
<td>2,599</td>
</tr>
<tr>
<td>West Midlands</td>
<td>116</td>
<td>2,335</td>
<td>36</td>
<td>1,750</td>
</tr>
<tr>
<td>Yorks &amp; Humber</td>
<td>105</td>
<td>1,980</td>
<td>28</td>
<td>1,032</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>2,578</strong></td>
<td><strong>41,645</strong></td>
<td><strong>875</strong></td>
<td><strong>32,078</strong></td>
</tr>
</tbody>
</table>
68. From 2008–09 the Regional Assemblies will advise the Government on the split of investment within their regions, both spend and outputs, by sub-region and by type of product. (In London, the Government announced proposed powers for the Mayor to set the strategy for investment in the supply of new affordable housing units.) They will do this on the basis of regional knowledge informed by a proper analysis of housing markets in their regions (including assessments of need), rather than making formulaic allocations. They will not normally advise on specific housing schemes. However, the Corporation will consult the Assembly and the Mayor on its funding programme, and adherence to the RHS is a major factor in the assessment of bids for NAHP funding.

The system for delivering RSL social rented housing

69. RSLs (and now other providers) may apply for Social Housing Grant through the Housing Corporation’s National Affordable Housing Programme (NAHP). The NAHP is a national investment programme which delivers regionally, to agreed national and regional priorities and targets. Bids are assessed on criteria including: value for public money (and housing quality); fit with local needs (set out in regional/local strategies); deliverability; and sustainability.

70. After bid assessment, the Corporation presents draft regional programmes of scheme allocations, based on the bids received, for recommendation by Regional Assemblies and approval by Ministers. These set out the outputs from the proposed allocations, reconciled to advice on outputs and spend, national priorities and the RHS. Programmes include reserve schemes and pre-allocations for larger strategic schemes in future rounds.

71. Until 2004, only RSLs were eligible for social housing grant. Unregistered bodies (“non-RSLs”), including private developers and ALMOs, are now also eligible. The aim of this was to improve value for money through competition and innovation and to widen the market, while ensuring standards and public money are protected through contracts. Non-RSLs may own and manage homes as well as build them, under similar conditions to RSLs. The 2006–08 NAHP and an initial mini-round in 2005 were open to both RSLs and non-RSLs, and about £70 million of grant was allocated to seven private developers for about 3,000 social rented and intermediate homes.

Temporary to Settled Initiatives

72. In April DCLG announced £30 million of investment for the Extra Homes Pilot, which will help London local authorities provide settled homes for families currently in temporary accommodation. The scheme, which will build on initiatives developed in Ealing and Newham, will provide up to around 1,000 new permanent social homes after a lease period of around 10–15 years (depending on the scale and nature of the bids received).

73. The principle of the scheme is that rental income currently funded through Housing Benefit is used to repay borrowing that has been raised to procure a home, and that after a lease period of around 10–15 years these payments have cleared the debt and provided a new permanent social unit. This contrasts with Housing Benefit payments being made to private landlords to pay for renting a property as temporary accommodation on which no return is made. In the short term, successful proposals will deliver settled homes which could be offered as fixed term qualifying assured shorthold tenancies.

74. The bidding round will be launched in October.

Levels of social rented and intermediate housing spend and completions

75. Levels of spending through the Housing Corporation on social and intermediate housing has risen significantly since 1997, from £954 million in 1997–98 to almost £2 billion in 2007–08.

Table 2

<table>
<thead>
<tr>
<th>HOUSING CORPORATION EXPENDITURE</th>
<th>£m</th>
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<tbody>
<tr>
<td></td>
<td>(P)</td>
</tr>
<tr>
<td>Social Rent</td>
<td>458</td>
</tr>
<tr>
<td>Low Cost Home Ownership</td>
<td>160</td>
</tr>
</tbody>
</table>

(Note: P = Provisional figures, F = Forecast.)

76. However, the substantial increase in funding the increase has not been matched in outputs. The last 10 years has seen a rapid increase in the cost of land and the construction costs, particularly in the South of England, where demand is highest.
77. Table 3 shows levels of social rented units and low cost home ownership units (most through Housing Corporation Social Housing Grant, Local Authority Social Housing Grant up to 2005–06, and other sources (Local authorities, PFI and units through s 106 agreements without grant).

Table 3

SOCIAL RENTED AND LOW COST HOME OWNERSHIP COMPLETIONS

<table>
<thead>
<tr>
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<td>20,539</td>
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<td>LASHG</td>
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<td>9,415</td>
<td>8,095</td>
<td>7,825</td>
<td>6,233</td>
<td>5,301</td>
</tr>
<tr>
<td>Other sources</td>
<td>320</td>
<td>190</td>
<td>140</td>
<td>930</td>
<td>1,190</td>
<td>930</td>
</tr>
<tr>
<td><strong>Total social rent</strong></td>
<td><strong>35,777</strong></td>
<td><strong>33,572</strong></td>
<td><strong>28,774</strong></td>
<td><strong>27,071</strong></td>
<td><strong>26,832</strong></td>
<td><strong>23,937</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Rent</td>
<td>16,563</td>
<td>16,245</td>
<td>18,637</td>
<td>21,000</td>
<td>28,000</td>
</tr>
<tr>
<td>LASHG</td>
<td>4,332</td>
<td>3,187</td>
<td>2,123</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Social Rent—other sources</td>
<td>1,800</td>
<td>1,600</td>
<td>2,400</td>
<td>2,900</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total social rent</strong></td>
<td><strong>22,695</strong></td>
<td><strong>21,032</strong></td>
<td><strong>23,160</strong></td>
<td><strong>23,900</strong></td>
<td><strong>31,000</strong></td>
</tr>
</tbody>
</table>

78. The Spending Review 2004 delivered over £400 million of additional provision above baseline specifically to increase the supply of social rented units. This, with additional PFI funding and efficiency gains will provide an extra 10,000 new homes annually by 2007–08, mainly through the Housing Corporation.

79. Investment through the Corporation over the period 2006–08 at £3.9 billion is an increase of some 15% on the previous two years. Targets for this programme have been set to complete 49,000 social rented homes and 35,000 low cost home ownership homes over 2006–08, an increase of around 33% on the 2004–06 programme.

80. Since SR04, significant progress has been made in aligning programmes with objectives, widening the range of providers, achieving efficiencies in grant requirement and increased the role played by private finance. Levels of grant per unit are starting to reduce.

Table 4

HOUSING CORPORATION AVERAGE GRANT PER UNIT (£)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>22,642</td>
<td>25,072</td>
<td>29,209</td>
<td>37,519</td>
<td>48,638</td>
<td>57,619</td>
<td>63,456</td>
</tr>
<tr>
<td>Shared Ownership</td>
<td>16,645</td>
<td>18,223</td>
<td>19,974</td>
<td>26,434</td>
<td>27,408</td>
<td>30,833</td>
<td>32,578</td>
</tr>
<tr>
<td>DIYSO/Homebuy Grant</td>
<td>22,629</td>
<td>23,382</td>
<td>23,745</td>
<td>27,159</td>
<td>31,337</td>
<td>37,420</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Allocation stage</th>
<th>Allocation stage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004–06</td>
<td>2006–08</td>
</tr>
<tr>
<td>Rent</td>
<td>66,886</td>
<td>61,907</td>
</tr>
<tr>
<td>Shared Ownership</td>
<td>31,057</td>
<td></td>
</tr>
<tr>
<td>DIYSO/Homebuy Grant</td>
<td>26,828</td>
<td></td>
</tr>
</tbody>
</table>
The role of English Partnerships

81. English Partnerships (EP) is the national regeneration agency, helping the Government support high quality sustainable growth across England. EP focuses on the assembly, infrastructure provision, remediation and masterplanning of land to bring about the development of sustainable mixed communities. This includes the provision of housing across a range of tenures, including social rented.

82. EP brings forward the development of surplus public sector land. It is working closely with DCLG and HMT to identify barriers to the re-use of this land for housing, and ensures development supports the Sustainable Communities agenda. EP also helps to bring forward brownfield land and the development of its other land holdings. Development of this land provides social rented housing as part of the development of mixed tenure communities.

83. EP has developed housing initiatives which deliver affordable as well as market housing, though the focus is primarily intermediate (shared equity) housing, particularly using surplus public sector land.

84. The London-Wide Initiative (LWI) uses redundant buildings and sites to provide discounted for sale intermediate affordable housing (totalling about 1,500) across London. LWI is a deferred equity model in which EP retains the unsold equity of the homes. Sites will also provide a further 2,500 homes, a mixture of open market for sale and other affordable tenures, including some social rented homes.

85. The First Time Buyer’s Initiative (FTBI) is a shared equity product providing first time buyers a “stepping stone” into home ownership, and is part of DCLG’s New Build HomeBuy initiative, targeted at key workers and other eligible groups currently priced out of the market. FTBi’s target is delivering 15,000 homes across England by 2010.

86. EP helps local authorities in the Growth Areas to increase the scale, speed and quality of major housing and regeneration proposals, which include social rented homes. The Advisory Team for Large Applications (ATLAS) offers advice to Local Planning Authorities dealing with major development proposals in the wider South East.

87. EP managed the Design for Manufacture competition, which challenged the house building industry to create sustainable, well-designed, good quality homes for a construction cost of £60,000. EP sets high standards of design and procurement practice as benchmarks for the private sector. It has also adopted a target of 25% Modern Methods of Construction across its programme to help deliver well-designed homes which can be built quickly, efficiently and economically and increase housing delivery.

The Housing and Regeneration Review

88. The Government is currently conducting a review of the institutional structures for delivery of housing and regeneration. The Housing and Regeneration Review provides an important opportunity to build on the existing strengths of English Partnerships and the Housing Corporation and ensure a coherent approach to delivering new housing and mixed sustainable communities.

89. In addition to addressing the Housing Corporation and English Partnerships, officials are examining the DCLG delivery functions to determine the scope for rationalising activities, with the aim of ensuring clear, focused and accountable delivery chains. Officials are analysing a range of potential modernisation and structural options for reform.

6. Delivery of Social Rented and Intermediate Housing Through the Planning System

90. The planning system is a key agent in the successful delivery of housing as a whole, and social rented housing in particular. The new approach to delivering affordable housing through the planning system is set out in draft Planning Policy Statement 3 (Housing).

91. Increasingly, local authorities secure contributions from developers towards new affordable housing as planning obligations, in “section 106 agreements”. These are used as a supplement or alternative to social housing grant.

How planning obligations deliver affordable housing

92. A planning obligation is a private agreement, usually negotiated in the context of a planning application, between a local authority and persons with an interest in the land. Planning obligations are negotiated under section 106 of the Town and Country Planning Act 1990, as substituted by section 12 of the Planning and Compensation Act 1991.

93. Government policy, in ODPM Circular 05/05 “Planning Obligations”, requires that planning obligations should only be sought by local authorities in order to “make acceptable development which would otherwise be unacceptable in planning terms” and where certain tests are met. In particular, a planning obligation must be: relevant to planning; necessary to make the proposed development acceptable in planning terms; directly related to the proposed development; fairly and reasonably related in scale and kind to the proposed development; and reasonable in all other respects.
94. In relation to affordable housing, planning obligations can be used to prescribe the nature of a development by requiring the inclusion of a given proportion of affordable housing. The requirement for the provision of an element of affordable housing in a residential development or mixed-use development with a residential component should be in line with Local Development Framework policies. As per the guidance in Planning Policy Guidance Note 3 “Housing”, Local Development Frameworks should identify the need for affordable housing and should set site-size thresholds above which the provision of a specified proportion of affordable housing would be expected.

Draft Planning Policy Statement 3: Housing (PPS3)

95. Draft PPS3 explains how local planning authorities should in their local development frameworks:

- Identify where there is a need and recognise the importance of affordable housing in creating mixed sustainable communities.
- Set overall (plan-wide) and site-specific affordable housing targets, which may include separate social rented and intermediate targets.
- Set thresholds above which affordable housing will be required as part of housing development.
- Identify the size and type of affordable housing (but not “market” housing) required to meet the identified need.
- Set out the circumstances where off-site affordable housing or financial contributions in lieu would be acceptable. The policy presumption is that affordable housing is provided on site and in-kind.
- Explain the approach to Section 106 agreements or covenants that ensure the developer contribution is suitable as affordable housing, eg requirements on eligibility, price, quality and recycling of subsidy.

96. Government does not accept that different types of housing and tenures make bad neighbours. Draft Planning Policy Statement 3: Housing (PPS3) requires regions and local planning authorities to create communities that are sustainable, mixed and inclusive. It requires authorities to plan for mixed communities on the basis of household type. In particular, authorities should plan for market housing on the basis of the range of households requiring housing. Affordable housing will continue to be planned for on the basis of housing size and type, allowing authorities to specify the proportion of rented affordable housing, based on housing market assessments.

97. Whether a contribution to affordable housing is required to make a development acceptable depends on the size of the development and the threshold for a contribution set out in the Local Development Framework. In determining the minimum threshold, draft PPS3 proposes to replace existing PPG3 policy which requires sites of 25 units, with an indicative threshold of 15 dwellings. This will let authorities seek affordable housing from a greater range of residential planning applications. Authorities can also go further, setting a different threshold or series of thresholds, providing they can be justified.

98. Draft PPS3 requires all authorities to include an affordable housing policy, setting out where appropriate, policies and/or targets for the size, type and tenure of the affordable housing element.

Level of affordable housing delivery through planning obligations

99. Planning obligations make an increasingly important contribution to the delivery of affordable housing. Sheffield University and Halcrow Group’s Valuing Planning Obligations report found that the percentage of major residential planning permissions with a planning obligation attached had risen in England from 26% in 1997–98 to 40% in 2003–04. The study also found that the proportion of major planning permissions accompanied by planning obligations in 2003–04 is highest in the South East (40%) and lowest in the North (7.5%).

100. The number of units of affordable housing delivered in part through planning obligations has increased from 10,303 completions in 2001–02 to 18,175 completions in 2004–05 (DCLG HIP data). These units might also have received some grant funding (see below). Of the 2004–05 completions, 65% were social rented, 28% shared ownership, 5% discounted sale and 1% unknown tenure (DCLG HIP data).

101. The number of planning obligation affordable housing units granted planning permission increased from about 18,480 in 2001–02 to 37,000 in 2004–05 (DCLG HIP data). There is a time lag between granting planning permissions and the completion of a development which to some extent explains the gap between the amount of affordable housing granted and completions in the same year. There may also be multiple applications relating to one site, of which none or only one is built out.

102. Research by the JRF concluded that once development starts on a site, the terms of the agreement are delivered in the majority of cases.

115 The Valuing Planning Obligations study defined major permissions as developments of more than 10 housing units. HIP data 2001–02 and 2004–05, DCLG Housebuilding Statistics.
116 Delivering affordable housing through section 106: outputs and outcomes (Joseph Rowntree Foundation, 2006).
103. The Government issued on 1 August 2006 “Planning Obligations: Practice Guidance”, which aims to improve use of the current planning obligations system, and offers practical advice on how to develop, negotiate and implement planning obligations. It also provides real life examples of how to make the process quicker, whilst providing more certainty. It includes a model planning obligation agreement prepared by the Law Society.

**Housing Corporation policy on Section 106 sites**

104. Many schemes approved by the Corporation will be on sites where affordable housing is funded through a mixture of social housing grant and developer contributions secured through a Section 106 agreement. The Corporation’s policy for paying grant on Section 106 sites within the 2006-08 NAHP was:

105. The preference is for affordable housing in Section 106 sites to be delivered without grant input from the Corporation.

106. For grant to be considered, the Corporation requires early involvement in negotiations over the content of the Section 106 Agreement as it relates to affordable housing, and, in particular, the expectations about the availability of Corporation grant. The Corporation’s objective in negotiations will be to ensure that the site delivers more affordable housing or a different mix (reflecting the Government’s approach to mixed communities) than would have been possible without grant.

107. It is important that the Corporation receives the best value for grant from Section 106 sites. It will use financial appraisal tools to help do this more precisely and ensure that grant on Section 106 schemes obtains additional benefits and does not artificially inflate land prices.

108. The Corporation will only fund Section 106 sites which integrate different tenures in a single site design, following mixed communities principles.

109. Some local authorities have an agreed planning policy of achieving affordable housing on Section 106 sites without use of grant. The Corporation will work with such policies, only funding Section 106 sites in such areas with specific agreement of the Local Authority and to achieve specific improved outcomes, for example in terms of tenure mix.

**Improved delivery and the Planning Gain Supplement**

110. Kate Barker’s report recommended that Government should impose a Planning Gain Supplement (PGS) on the granting of planning permission, to extract some of the windfall gains accruing to landowners from the sale of their land for residential development. Affordable housing delivery is a Government priority and, if a PGS was introduced, affordable housing would remain within the scope of planning obligations to ensure the continued delivery of mixed communities.

111. If PGS is introduced, Government would scale back the scope of planning obligations. The contribution made by developers to the provision of affordable housing through planning obligations currently varies widely (from discounted land to build costs). In looking at the scaling back the scope of planning obligations, Government’s priority will be to ensure that new housing developments include the types of housing, including affordable, necessary to meet a local need identified in the Local Housing Market Assessment and Local Development Framework.

112. There will be further announcements on PGS before the end of 2006, once the responses to the Government’s consultation have been considered. If implemented, a PGS will not be introduced before 2008.

7. **HOUSING BENEFIT AND COUNCIL TAX BENEFIT SUBSIDIES AND THE EFFECT ON ACCESS TO RENTED HOUSING**

**Housing Benefit**

113. Housing Benefit (HB) is an income related benefit payable to people in all types of rented accommodation. It is designed to help people with low-incomes to pay for rented accommodation whether they are in or out of work. People are eligible only if they are liable to pay rent. Up to 100% of eligible rent can be paid, depending on, for example, income/household consumption. People getting the Guaranteed Pension Credit (poorest pensioners), Income Support or Jobseekers Allowance are “passported” to full HB as they are treated as having no income or capital. There are currently 3.98 million family units in receipt of HB in Great Britain. 38% of these are classified as elderly and 62% are working age families.

114. There are 0.82 million (21%) HB recipients who are tenants in private rental sector accommodation. The remaining 3.16 million (80%) are tenants in the social sector. More than 50% of those living in the social rented sector are on HB. Overall HB spending stood at £13.2 billion in 2004–05. Of this £3.4 billion was spent on private sector tenants and £9.8 billion was spent on social sector tenants.

115. The Local Housing Allowance (LHA) is being tested by 18 local authorities. Unlike current HB, the LHA is not related to individual rent liability, but on area and property size. In setting and publishing the rates in this way, the LHA introduces clarity and transparency which helps tenants know in advance of
renting a property the maximum amount of financial help towards housing costs provided by the state. Additionally, by setting the LHA rates at the median of market rents in an area, the LHA will provide a fairer way of ensuring that tenants can afford to access property in 50% of the local private rental sector market. A national rollout is planned for 2008.

116. Temporary accommodation can attract high management charges and such high rents can be perceived to act as a barrier to employment. DWP and DCLG are supporting a pilot—the Working Future project led by the Greater London Authority and East Thames Housing Group to test how lowering rents and increasing training opportunities for those in temporary accommodation can help overcome their worklessness. This involves the tenant paying an affordable rent by HB (in other words a normal “council” rent), with the extra costs funded separately, via a direct central government grant. The project started in September 2005, and is expected to last two years. Evaluation will take place both on a continuous basis, and in the latter part of 2007, after the project is complete.

**Council Tax Benefit**

117. Council Tax Benefit (CTB) is a non-contributory, income-related benefit that provides help to people with low incomes to pay their council tax whether they are in or out of work. Like HB, up to 100% of council tax liability can be paid. People getting Pension Credit guarantee credit, Income Support or Jobseeker’s Allowance are “passported” to full CTB. There are 4.99 million family units in receipt of Council Tax Benefit in Great Britain. 48% are classified as elderly and 52% are classified as working age (under 60). Overall CTB spend was estimated at £3.6 billion in 2004–05.

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**Memorandum by the Housing Corporation (SRH 45)**

1. **INTRODUCTION**

   1.1 The Housing Corporation is a non-departmental public body sponsored by the Department for Communities and Local Government (DCLG). The Corporation supports communities across England by investing in the supply and regulating the quality of affordable homes and associated services for people whose circumstances make it difficult for them to meet their housing needs in the open market. This includes the homeless, low income families, key workers and those in need of supported accommodation.

   1.2 During 2006–08, the Corporation is investing £3.9 billion of public subsidy into housing schemes. This investment will provide 84,000 additional affordable homes, as well as support the refurbishment of some existing stock and market renewal initiatives. The 84,000 new homes will include 49,000 new social rented properties and 35,000 low cost home ownership homes. The public investment will be boosted by significant additional private finance. Since the current funding regime began in 1989, over £30 billion of private funding has been invested alongside public subsidy—making the programme one of the most significant Public-Private-Partnerships in the UK.

   1.3 We welcome the opportunity to provide evidence to this inquiry. The scope of the inquiry is extensive. Whilst our response seeks to address each of the issues identified by the Committee in its call for evidence, we recognise that there may be issues that the Committee wishes to explore in more detail. The Corporation would be happy to provide further information to the Committee, where that proves helpful to the conduct of the inquiry.

2. **THE LEVEL OF PUBLIC FUNDING REQUIRED TO MEET SOCIAL HOUSING NEEDS**

   2.1 The scale of unmet demand as set out in the updated work by Alan Holmans for the Barker Review of Housing Supply suggests that 40,000 new social rented homes are needed per year. The 40,000 figure is based on the following calculations:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in social sector households (based on demographic trends etc)</td>
<td>16,000</td>
</tr>
<tr>
<td>Additional vacant dwellings allowed for due to the net increase in social sector households (eg people moving between homes)</td>
<td>1,000</td>
</tr>
<tr>
<td>To replace lost re-lets due to right to buy</td>
<td>18,000</td>
</tr>
<tr>
<td>For growing reluctance of private landlords to let to housing benefit tenants</td>
<td>5,000</td>
</tr>
<tr>
<td>To replace net losses in stock (eg demolition, low demand areas)</td>
<td>5,000</td>
</tr>
<tr>
<td>Total</td>
<td>46,000</td>
</tr>
<tr>
<td>Total (less 6,000 for overlap with LCHO)</td>
<td>40,000</td>
</tr>
</tbody>
</table>
2.2 In the two-year period 2006–08, the Corporation and the affordable housing sector will deliver the equivalent of 24,500 social rent homes and 17,500 low cost home ownership homes each year. This is a real growth in the provision of affordable housing with 30% more homes provided than in 2004–06, and delivered for only a 15% increase in resource. Progress has been driven by three factors—increased Government funding, growing efficiency within the sector and greater access to private equity investment.

2.3 However, the scale of unmet demand as outlined in the report of the Barker Review of Housing Supply, and the number of people still living in temporary accommodation, means that the need for over 40,000 new social rented homes per year remains over 10,000 more each year than the Corporation is planning for 2007–08.

2.4 While government has indicated that affordable housing will be a priority for the comprehensive spending review; it is clear that the current fiscal environment will place limits on the ability of Government to increase resources for affordable housing. Looking forward, we are unlikely to see a spending review outcome that allows the delivery of the Barker targets at the current levels of funding per home.

2.5 A key challenge is therefore to look at how further efficiencies can be achieved in the provision of affordable housing. In September 2006 the Corporation published “Future Investment Approaches”.118 This consultation paper sets out a range of measures that could be adopted to boost affordable housing supply. We believe there is significant scope for the sector to respond to this challenge.

**Key issues:**

— since we opened up social housing grant to non RSLs, the market for grant-funded affordable housing development has become more competitive, with major volume developers taking up the new opportunity for direct receipt of grant. As entrepreneurial organisations from other sectors come forward—ALMOs, commercial developers, perhaps local authorities—this trend will strengthen;

— our analysis of capacity within the RSL sector has identified that there remains within the sector the capacity to lever more private finance and drive further efficiency in terms of grant rates;

— our analysis of the work that RSLs are doing to manage their supply chains shows that there is scope to bear down on costs and achieve further savings; and

— our continuing dialogue with non-RSLs and RSLs has convinced us that there is scope for further efficiency if we more closely align our bidding timetable to fit with business models in the sector.

3. **The Role and Effectiveness of the Planning System, Including Section 106 Agreements in the Provision of Rented Housing and Securing Mixed Tenure Housing Developments**

3.1 As the wide ranging terms of this inquiry highlight, successful delivery of affordable housing is contingent on a number of overlapping factors. However, land supply and planning stand out as of particular importance.

**Land supply**

3.2 The Housing Corporation is concerned at continuing constraints to the supply of land and the impact this has on delivery of increased numbers of affordable homes. The Barker Report identified this as a critical issue in increasing housing supply and tackling affordability. While funding for social housing has increased markedly, a significant part of this increase has been absorbed by escalating land prices. Efficiency gains have mitigated some of the impact, but the supply and cost of land remains a significant stumbling block.

3.3 As we noted in our submission to this Committee’s inquiry on affordability and supply, an examination of Housing Corporation total scheme costs by region reveals significant increases in the cost of the land element of total scheme costs. There are also strong regional variations in land acquisition costs.

3.4 Housebuilding has increased in London in recent years and the number of planning permissions has also increased significantly; there are currently existing permissions for over 140,000 homes.119 However, the planning pipeline is not necessarily leading to increased delivery, one reason being developers seeking to control the volume of building to avoid market saturation. In addition, not all permissions are capable of implementation, and some may not have section 106 agreements in place. Planning permissions may also be used to increase land values for speculative purposes, rather than with development as a primary purpose.

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119 Pre-publication data supplied by Greater London Authority.
Key issues:

— There is the potential for a damaging ripple effect. As Kate Barker’s report on Housing Supply highlights, the limited supply of land drives up costs. This in turn reduces the supply of affordable housing, whilst also increasing pressure on existing social housing stock from those no longer able to afford homes outside the affordable sector.

— If housing need is to be met, it is vitally important that the release of land for housing development is prioritised at both a local and regional level.

— However, this must be matched by an increase in delivery performance on the part of developers, if levels of demand, in particular in London, are to be met.

Section 106 agreements

3.5 The other key area for addressing supply issues is through section 106 agreements. Over 40% of the units within the Housing Corporation’s 2006–08 new build allocations have come about as a result of planning gain. In the South East, East of England and the South West these are the majority of our new build programme. They also make up a significant part of our programme in other areas of the country.

<table>
<thead>
<tr>
<th>Region Name</th>
<th>Total units</th>
<th>Total units on s106 sites</th>
<th>% s106</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Midlands</td>
<td>4,986</td>
<td>1,267</td>
<td>25.4</td>
</tr>
<tr>
<td>Eastern</td>
<td>9,277</td>
<td>5,448</td>
<td>58.7</td>
</tr>
<tr>
<td>London</td>
<td>23,899</td>
<td>8,766</td>
<td>36.7</td>
</tr>
<tr>
<td>North East</td>
<td>1,334</td>
<td>200</td>
<td>15.0</td>
</tr>
<tr>
<td>North West</td>
<td>4,187</td>
<td>8</td>
<td>0.2</td>
</tr>
<tr>
<td>South East</td>
<td>17,339</td>
<td>10,437</td>
<td>60.2</td>
</tr>
<tr>
<td>South West</td>
<td>7,876</td>
<td>3,996</td>
<td>50.7</td>
</tr>
<tr>
<td>West Midlands</td>
<td>4,210</td>
<td>902</td>
<td>21.4</td>
</tr>
<tr>
<td>Yorkshire &amp; Humberside</td>
<td>2,893</td>
<td>295</td>
<td>10.2</td>
</tr>
<tr>
<td>Total</td>
<td>76,001</td>
<td>31,319</td>
<td>41.2</td>
</tr>
</tbody>
</table>

3.6 To make sure that Social Housing Grant is procuring housing that is additional to that which may have been obtained anyway without Corporation investment, there is a need to understand the economics of site development and in particular, its viability.

3.7 The Corporation has developed an economic modelling tool that can be used to examine the viability of sites and the level of grant input necessary to deliver additional affordable homes. The model, which is known as the Housing Corporation Economic Assessment Tool, is more comprehensive than other models of its type and can handle complicated mixed use and commercial sites. Our aim is to encourage local authorities, developers, planners and housing associations to use the model to help them understand the potential of development sites and to speed up negotiations between the parties.

3.8 Sometimes mechanisms may be needed in Section 106 Agreements to address the uncertainty of site economics, particularly for larger, phased schemes where funding cannot be assured over time. Cascade agreements are often used to plan ahead and describe the actions that various parties will take in particular circumstances. These agreements have sometimes worked well, but there have also been a number of occasions where they have failed to guarantee the expected outcomes. The Corporation and English Partnerships are working together to produce a good practice guide that will help planners and developers secure cascade agreements that deliver the outcomes originally intended.

Key issues:

— Developing consistent best practice in section 106 negotiation will help ensure that value for grant is maximised.

— The extent to which the delivery of new affordable homes is contributed to by s 106 sites means that adverse market movements have the potential to affect the build out rates on those sites and affect the delivery of the Corporation’s programme.

4. The Level of Funding for Social Rented Housing as Opposed to Shared Ownership and Other Forms of Below Market Housing

4.1 For the year 2007–08 the balance of Housing Corporation expenditure on the supply of social rented housing is forecast to be 74% against 26% spent on low cost home ownership. We have agreed targets with Government for the number of homes to be completed over 2006–08. These are split between social rented housing, with a target of 49,000 homes, and low cost home ownership, with a target of 35,000 homes.
This equates to a 58% to 42% split between the products. The reason for the funding disparity is that grant-per-home required by low cost home ownership properties is less than that for social rented housing, therefore its proportion of outputs is higher than its proportion of expenditure.

4.2 This pattern of expenditure has been set to meet the requirements of the Government’s existing housing policy framework. It is important to note that other outputs such as local authority development through Housing PFI also contribute to numbers of affordable homes, but approximately 85% of development is delivered through Housing Corporation programmes. The national framework (set out, in particular, in Sustainable Communities: Homes for All120) does not give explicit relative weighting to social rented housing as against low cost home ownership, but sets output expectations for each product:

- For social rented homes: 75,000 homes completed in the three years from 2005–06 to 2007–08; and an additional supply of 10,000 homes in 2007–08 against the level of supply in 2005–06, taking total outputs for 2007–08 to over 30,000.
- For low cost home ownership homes: 100,000 households helped into home ownership by 2010.

4.3 Within these targets, the balance of supply between grant funded rented and low cost home ownership housing at the regional level is set by Regional Housing Strategies, produced by Regional Housing Boards (Regional Housing and Planning Boards for future iterations.)

4.4 For the delivery organisations we work with, the economics of site development will often require a mixture of private sale, low cost home ownership and social rented housing. There is therefore a degree of interdependence between products.

Key issues:

- The Corporation’s current programme balance gives us the ability to ensure that developments give rise to genuinely mixed communities as we often fund rent and low cost home ownership provision on the same site. A shift in the balance of funding towards social rent will mean that different strategies may be required.

5. THE GEOGRAPHICAL DISTRIBUTION OF SUBSIDIES FOR AFFORDABLE HOUSING

5.1 Within the current system, the Single Housing Pot is disaggregated on a regional basis by the Department, in discussion with regional stakeholders. Regional Housing Bodies set the proportion of this pot available to the Housing Corporation as Social Housing Grant. The final allocations made by the Corporation are also dependent on the quality of bids received within a region.

5.2 The sub-regional distribution of social housing grant is set within Regional Housing Strategies, with final allocations dependent on the quality and value of bids received. Distribution between local authorities is largely dependent on the quality and value of bids received. As such it may be influenced by, for example, site availability, or a local authorities willingness to sell land at a discount to affordable housing providers.

5.3 The regional distribution of the Single Housing Pot has an influence on the total national output of affordable housing, as a result of significant variations in grant and cost-per-unit prices between regions (for bids to the NAHP 06–08 the range for rental housing was £39,563 (East of England) to £100,683 (London)).

5.4 Cross boundary nomination agreements also allow rented homes provided in one area to help meet the housing needs of another; however our experience of the implementation of such agreements (for instance in Growth Areas) has been mixed.

Key issues:

- Distribution of housing capital funding is done using a formula which is primarily based on indicators of housing need. In delivering the programme the Corporation also needs to ensure that the deliverability of affordable housing is a significant influence. The successful implementation of cross-boundary nomination agreements will help ensure that we can align delivery at good value for grant with housing need.

6. THE FUTURE ROLE FOR LOCAL AUTHORITIES AS BUILDERS AND MANAGERS OF SOCIAL HOUSING

6.1 Under 27a of the 2004 Housing Act the Housing Corporation opened up the affordable housing market to a mixed economy of providers and is able to award social housing grant to both RSLs and non-RSLs. Non RSLs include not only private developers, but also ALMOs and local authorities.

6.2 In our 2006–08 programme funding has been awarded to unregistered providers for the first time. In future, we see no reason, in principle, why funding could not be provided to ALMOs and local authorities. Indeed we have held discussions with ALMOs considering how they might take forward bids for resources in

120 “Sustainable Communities: Homes for All” ODPM/DCLG 2005 http://www.communities.gov.uk/index.asp?id = 1122851
future funding rounds and a number of ALMOs have bid for funds through our current Northern Housing Challenge funding competition. Our overriding concern in making investment decisions is providing residents with high quality homes and ensuring best value for money for the tax payer.

6.3 Similarly, the opening up of the market has also led to changes in our regulatory approach to housing management. In June 2006 Pinnacle PSG, a property management company, became the first ever non-registered body seeking to be accredited by the Housing Corporation.

6.4 The Housing Corporation’s aim is to ensure that the same high quality of service is guaranteed for tenants, irrespective of whether their home is built by a housing association or unregistered provider. Following a consultation in 2005, the Corporation developed an accreditation framework that will ensure that any non-RSLs taking on new grant-aided homes who gain accreditation will offer good quality services to residents. The framework sets out the processes and minimum standards for what bodies applying for accreditation hope to achieve. 2* and 3* local authorities and ALMOS receive automatic accreditation.

**Key issue:**

- The Housing Corporation has the ability to fund unregistered providers, including local authorities and ALMOS. Future funding of local authority or ALMO development programmes will be dependent on their bringing forward proposals that offer value for money to the tax-payer.

7. **The Effectiveness of Different Social Housing Models Including Traditional Local Authority Housing, ALMOs, Housing Co-operatives and Housing Associations**

7.1 As indicated in section 6 above, the Housing Corporation seeks to deliver high quality homes and landlord services to residents, irrespective of provider. However, prior to the most recent funding round, our regulatory ambit has only extended to registered social landlords.

7.2 The Committee will appreciate that there are a number of different ways in which effectiveness can be measured, and the effectiveness of different models will depend on the objectives against which they are assessed. Factors to consider include supply, access and use, finance, subsidy arrangements and systems, governance, service provision and resident satisfaction. We have limited our consideration to three key areas—tenant satisfaction, financial performance and the contribution of landlords to wider neighbourhoods and communities.

**Resident satisfaction**

7.3 The main indicator for resident satisfaction across all sectors is Best Value Key Performance Indicator 74a **Satisfaction of Tenants with the Overall Service Provided by their Landlord.** Landlords generally measure this indicator through the standardised STATUS survey which they are required to undertake every three years. Drawing conclusions across different sectors is challenging due to the relative irregularity of surveys and range of ways the data is interpreted. Having said this, there is little difference in satisfaction figures across sectors. Figures for 2004–05 show median satisfaction for the whole Housing Association121 and Local Authority sectors at 79%.122 Satisfaction was slightly higher for LSVTs123 and slightly lower for a relatively small sample of ALMOS.124

7.4 While using general satisfaction as an indicator of success has some value it should not be considered an absolute. The initial survey of the Housing Corporation’s Resident Consultation Panel showed that demographics and neighbourhood satisfaction have an impact on satisfaction with the landlords’ service. Further work may be needed to improve understanding of what the key drivers of satisfaction in landlord performance are. Pawson (2006) notes that satisfaction is not always consistent with on the ground performance, pointing to three occasions where inspectors’ believed service had improved but satisfaction had fallen. Landlords have differing starting points and that ALMOs which have secured capital investment have already passed through a service quality test resident satisfaction alone is not currently a reliable test of landlord performance.

**Key issues:**

- Resident satisfaction is a useful indicator of general service quality however without better data on the drivers of satisfaction it is not on its own a reliable comparative test of landlord performance.
- The Housing Corporation is introducing Performance Indicators based on resident satisfaction levels as part of its regulatory and assessment framework for Housing Associations.

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123 Housing Corporation Regulatory Statistical Return.
Financial performance

7.5 As noted, a strength of the Housing Association sector is its ability to leverage significant levels of private finance to support new supply of affordable homes. The 2005 Global Accounts show that the gross valuation of housing properties in the RSL sector is £67.9 billion, with capital grant investment at £30.3 billion, whilst private finance drawn down is £26.9 billion. For the traditional association sector, average measures of interest cover are strong and together with measures of gearing suggest a financially robust sector with capacity for growth. Trends in profitability ratios similarly show the sector with a steady profile, responding well to the current financial demands of increasing investment in its asset base and rent restructuring. Furthermore, the confidence of the lending institutions in the stability of the housing association sector and the quality of regulatory oversight provided by the Housing Corporation, has lead to margins on debt up to 60 basis points better than equivalent borrowing by non-registered developers.

Key issue:
— The ability of housing associations to borrow private funding and keep it off the public balance sheet is likely to continue to prove attractive to government.

Contribution to neighbourhoods and communities

7.6 Many proactive affordable housing providers play an active role in delivering more than just homes and landlord services. As the largest non-profit social businesses in England, Housing Associations play an important role, above and beyond their core housing functions. In measuring their effectiveness, it is therefore important to take into account their wider contribution to neighbourhoods and communities. In many cases they are now starting to adopt strategic approaches with local authorities and LSPs in the management of their assets, using them to both provide further affordable homes and to invest in community facilities and services to protect and enhance previous public and private investment, including the delivery of added-value services such as neighbourhood management, childcare provision, work around financial inclusion and tackling Respect.

7.7 This “added value” work by social landlords can contribute effectively to the provision and maintenance of mixed and cohesive communities and the wider roles also addresses issues around social inclusion and helping residents into employment. By taking the wider view of housing within successful communities, they can help enhance the environment and the wellbeing of communities while building social capital and empowered, dynamic communities. These themes are central to the Housing Corporation’s recent Neighbourhoods and Communities Strategy. Similar initiatives are taken forward by many ALMOs, and high performing local authorities will ensure that their housing services are linked to other social objectives.

Key issue:
— In assessing differing models of housing provision, and taking a view on the performance of social landlords, it is important to consider their wider impact on neighbourhoods and communities.

8. The Role and Effectiveness of Private Rented Housing in Meeting Housing Needs

8.1 A healthy private rented sector is an important part of an effective housing market. The private rented sector plays an important role as a tenure of choice for groups such as students, the economically mobile and young professionals who require the flexibility that private lettings can provide. It also provides a valuable housing resource for helping those in acute housing need.

8.2 At present almost 2.5 million homes or 11% of total housing in England is privately rented. Of these homes, some 19% (2005) are let to recipients of housing benefit—compared to 65% of the social housing sector. Supply has grown in recent years as deregulation has opened up mortgages to individuals wanting to buy rental properties. This has seen this market expand from 47% of private rented stock in 1994 to 67% in 2003. It has also seen the median number of properties owned by landlords fall by about a third—from nine in 1994, to three today. About one in three landlords let just a single property.

8.3 The Housing Act 2004 has recognised that this can provide some particular challenges and contains measures aimed at improving building and management standards, most notably licensing for larger HMOs. The Housing Corporation strongly supports accreditation, recognising that the high standards for building and management set in the social housing sector are not always replicated in the private sector.

8.4 The introduction of HMO licensing has been a positive step forward, and the Corporation is pleased that local authorities can seek ministerial approval for schemes that extend HMO licensing to smaller HMOs, or selectively licence the private rented sector in areas of low demand or anti-social behaviour. We also welcome the ability of local authorities to use management orders and empty dwelling management orders to be proactive in addressing concerns about poor management in the private sector.

Key issues:

— The ability of the smaller landlords to maintain and repair their properties in the longer term;
— The impact of buy to let (and subsequent private lettings back to local authorities) on developments that are specifically trying to promote and maintain mixed communities;
— The activities, or lack of activities, of some private landlords (eg: in tackling anti-social tenants, contributing to neighbourhood management);
— The amount of housing benefit going into the private sector through temporary accommodation and the potential of this as a source of funding for new social provision.

Tackling homelessness—the Settled Homes Initiative

8.5 The private sector also plays a critical role in enabling local authorities and RSLs to tackle homelessness. Around half of households in temporary accommodation occupy accommodation leased from the private rented sector by a local authority or RSL. The government has a target to reduce the number of people in temporary accommodation by 50% by 2010 (from around 100,000 in 1994). Initiatives to realise this target include discretionary housing payments, rent deposit schemes and the “Settled Homes Initiative”.

8.6 The Settled Homes Initiative in London has funding of £30 million to look at innovative and cost effective ways of providing good quality accommodation, initially at rents higher than target rents, but lower than current temporary accommodation rents, for an agreed period, after which rents will convert to target rents.

8.7 The pilot is seeking to find ways of providing settled accommodation from day one (ie the homelessness duty will be discharged), and to maximise the amount of permanent accommodation which is provided in the longer term. Alongside innovative funding proposals, key selection criteria will include the extent to which providers can demonstrate that they will work with other agencies to maximise training and employment opportunities for tenants and overcome poverty trap issues for those who are able to access employment.

8.8 Following the recent announcement of the changes to the Mayor’s housing powers, recommendations and proposals for funding will be overseen by the Mayor. The recommendations will be made by a panel including the Housing Corporation, GLA, London Councils, as well as DCLG. The proposed timetable is to launch the bids round in October, with bids submitted by December, and selection in the New Year. Funding will be available from April 2007. Those eligible to bid include housing associations, local authorities, ALMOs and private sector providers.

Key issue:

— The success of the Settled Homes Initiative may provide a valuable model for tackling numbers of households in temporary accommodation in areas of housing need, in particular London. The Housing Corporation looks forward to the outcome of the pilot, and any lessons or approaches that can be applied more widely.

9. The Priorities and Effectiveness of the Housing Corporation, English Partnerships and the Regional Housing Boards in Responding to Housing Needs

9.1 The Housing Corporation delivers approximately 85% of the new supply of social rented housing. However, in doing so, we are reliant on effective partnership working with English Partnerships, Regional Housing Boards and local government.

Improving homes and communities

9.2 The leverage our investment gives us has allowed us to make radical improvements to the quality of homes delivered. The new homes we fund must meet the EcoHomes Very Good standard and must meet minimum Housing Quality Indicator standards (for instance on size). We are also delivering larger homes where needed (35% of our rental programme in London) and working so that proposed developments are assessed to ensure communities will be sustainable.

9.3 The Corporation’s investment programme also delivers on a range of social policy goals. We are, for example, ensuring the supply of affordable housing for:
— vulnerable people, including supported housing—more than doubling our support for affordable homes for vulnerable groups between 2004–06 and 2006–08;
— people in rural areas—whilst recognising continuing demand for homes in rural communities, we have succeeded in meeting targets for delivery of rural homes in recent investment rounds;
— new communities—working with and through the BME Housing Association sector and ensuring delivery of more larger homes, particularly in London;
— supporting regeneration—working closely with wider regeneration initiatives; in the North East, for example, 60% of our current funding is earmarked for regeneration areas.

Efficient and effective delivery

9.4 Since the 2004 comprehensive spending review settlement, we have generated significant savings in our programme. This has particularly been possible through our new approach to working with a small pool of development partners and most recently the equity deal with the Council of Mortgage Lenders. Comparison of pre and post partnering grant show significant efficiency gains in the delivery of both low cost home ownership and homes for social rent. While we acknowledge it is difficult to attribute savings to particular interventions, work for the National Audit Office indicates that in 2006–07 grant saving of some £300 million has been achieved compared with 2003–04. They concluded that:
— the bulk of these savings arose from the competitive grant regime, the new partnering arrangements, the competitive spur from the private developers and through better procurement practice;
— use of a value for grant comparator when assessing bids has given a saving of £30 million; and
— £23 million has been saved (compared to 2004–05) though use of Modern Methods of Construction.

9.5 We recently agreed a deal with the Council of Mortgage Lenders and now almost all open market Homebuy equity loans will be funded 50% by the Housing Corporation and 50% by private lenders. We estimate that the savings arising from this arrangement will be significant (these have been recycled into higher outputs across the Corporation’s programmes—both social rent and low cost home ownership).

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<th>2006–07</th>
<th>2007–08</th>
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<td>Savings achieved through CML deal</td>
<td>£62.5 million</td>
<td>£125 million</td>
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9.6 Together this will ensure the Corporation meets or exceeds the Gershon efficiency targets as follows:

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<tr>
<td>Gershon savings Spending Review 2004 target</td>
<td>£130 million</td>
<td>£140 million</td>
<td>£160 million</td>
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Regional Housing Boards

9.7 Regional Housing Boards set the context within which the Housing Corporation delivers its investment programme. They determine the proportion of the single housing pot available and set geographic, tenure and other priorities through Regional Housing Strategies. Regional Housing Strategies have improved considerably in specificity and in their underlying evidence base. However, we consider there is room for further improvement. The Housing Corporation has sat on existing Regional Housing Boards, and is in discussion in each region on our representation on new, merged bodies. We are currently in the process of reviewing and renewing protocol agreements with regional assemblies and the Greater London Assembly.

Local Government

9.8 Effective local authority leadership is fundamental to the success of local communities. The Housing Corporation works on a day to day basis with local authorities across the country to ensure the successful delivery of its programme. Local authority input has been key to its decision making underpinning the 2006–08 National Affordable Housing Programme, and the Housing Corporation and local authorities regularly engage to discuss local housing market issues and the role and delivery plans of Registered Social Landlords. The Corporation is also a crucial partner in delivering estate renewal and other neighbourhood regeneration projects.

9.9 The Housing Corporation and the Local Government Association are seeking to further consolidate that relationship and are agreeing a national protocol setting out how the respective roles of the Corporation and local government complement one another. Alongside this, the Corporation is agreeing local protocols with key local authority partners. The Housing Corporation appreciates that local authorities have crucial
knowledge on housing association’s performance in delivering good housing management standards, tackling homelessness and contributing to a wider range of community issues, and is seeking to build local authority views on association performance into its assessment framework for housing associations.

9.10 The Housing Corporation will be publishing later this autumn a Homelessness Strategy which will focus on consolidating links between housing associations and local authorities to tackle homelessness and provide support to those families at risk of losing their homes.

**English Partnerships**

9.11 English Partnerships and the Housing Corporation collaborate extensively both at a national and regional level, with a particular focus on delivering more affordable homes. The Housing Partnership—a joint initiative between the two agencies—is a key factor in facilitating and developing that joint working.

9.12 We currently have 12 Joint Strategic Projects that bring together English Partnerships expertise in land and development with the Housing Corporation’s affordable housing investment and regulatory expertise.

9.13 They demonstrate how delivery methods, design standards, sustainability and long-term stewardship can be improved by bringing together our joint resources and being prepared to develop creative and shared ways of working. We expect them to maximise the impact of our investment programmes, achieve economies of scale and produce a more effective use of public investment, including the delivery of more social rented homes. These are some of the most complex projects both organisations work on and demonstrate the benefits that can be realised by bringing together the collective skills within both organisations.

**Housing Corporation/English Partnership Joint Strategic Projects**

Aldershot Urban Extension—4,500 new homes, schools and community facilities on MoD site. Still at early stage.

Brunswick Road, Gloucester—gateway for regeneration with Gloucester URC. EP and HC shortlisting to invite tenders. Want to ensure high quality lon.

Challenge Fund 2—combining EP land with HC grant to produce 1,300 new homes across the Greater South East. Over 90% MMC.

Devonport—500 high quality homes, a healthcare centre, new shops, offices and managed workspace.

Millbay—a mixed development that will reconnect the area of the city centre and have access to the waterfront.

Ferrier Estate, Kidbrooke—regeneration scheme involving demolition of mono tenure estate and creation of mixed tenure sustainable community.

Hanley South, Stoke—bringing forward and helping to shape a number of housing led schemes to address changing and low demand in the Hanley South area.

London Wide Initiative—the initiative will increase the supply of affordable homes in Greater London for key workers and first time buyers over the next five years.

New Islington, Manchester—regeneration of a neglected and rundown estate in Ancoats, East Manchester. Facilities will include scenic canal-side walks, cafes, shops, moorings for narrow boats, gardens and 1,400 new homes. Development underway.

Northstowe, Cambridgeshire—urban extension will be built on a former MoD airfield site and adjacent private land northwest of Cambridge.

Park Hill, Sheffield—largest Grade II* listed building in Britain and is located in the South Yorkshire pathfinder. The proposed development will result in a high quality scheme for the whole of Park Hill.

Upton—sustainable urban extension to Northampton, which was identified as an area capable of accommodating 30,000 new homes by 2021.

**Housing and Regeneration Delivery Review**

9.14 In February 2006, the Deputy Prime Minister announced a review of institutional structures for housing and regeneration delivery. DCLG officials have been looking closely at the roles of the Housing Corporation, English Partnerships and delivery functions from within the department with the aim of looking at options for modernisation and structural reform.
10. **The Effectiveness of Housing Benefit as a Means of Providing Access to Rented Housing to Those in Need**

10.1 It is estimated that 65% of existing social tenants are on housing benefit and 67% of households taking up a new tenancy with a housing association are in the same position. As rent levels for social housing are in most areas significantly below those in the private sector, for social tenants, the constraints on entry to housing relate more to the supply of homes, rather than issues relating to housing benefit. However, there is one issue relating to social homes and housing benefit that the Corporation would like to bring to the attention of the Committee.

*Passporting housing benefit claims*

10.2 Local authorities and Housing Associations have been very active in forming CBL partnerships, to promote choice, improve access and ease letting arrangements, including enhanced mobility between landlords and across authority boundaries. While local authorities have been proactive in managing their statutory duties in relation to lettings, within the streamlined approach to CBL, we are not aware of any comparable large-scale development around housing benefit processing. Residents might be able to get a new home fairly easily through CBL but, if they change authority district, they will need to make a fresh housing benefit claim. Moves between landlords within an authority are now treated as a change of circumstances (rather than a new claim) but, still, the system is not as agile as it might be. In some areas, housing benefit processing for several local authorities is undertaken at a central location.

*Key issues:*

- Passporting of claims between authorities is possible, and offers significant benefits, in particular greater choice and mobility for tenants. We would encourage CBL partnerships to factor-in streamlined housing benefit processing into scheme design.

11. **The Impact of the Operation of Council Tax Benefit on the Affordability of Rented Housing**

11.1 The Corporation does not have a formal locus in the council tax regime. But in practical terms council tax is inextricably tied to rent, and very many social housing tenants are either in receipt of Council Tax Benefit or among the number who are entitled but not claiming. We would tend to agree with local government colleagues that Council Tax Benefit can impair the affordability of rented housing, by placing a tax liability on poor and low income households below the threshold of income tax.

11.2 Our concerns are with positive outcomes for residents and fair and stable systems for landlords. In this Council Tax Benefit can be problematic, especially in its disincentives to work, to save, and its failure to assist low income households. Council Tax Benefit claims are most usually bound with housing benefit, and processing and structural delays create problems for residents and landlords.

11.3 Withdrawal of Council Tax Benefit can negate the value of tax credits and create severe financial problems for those starting work. This is certain to have a knock-on effect to rent arrears. We look forward to the publication of the Lyons Inquiry and would support a system with clearer incentives for employment and financial stability.

12. **Other Issues**

12.1 In December John Hills will report on the future of social housing. We look forward to his findings. Key issues he may wish to explore include:

- The growing distance in terms of asset wealth between those in rented accommodation (and in particular social rented accommodation) and home owners.

- The increasing gap between market rents and social rents, in particular in London. There is an increasing case for looking at ways to reduce the divisions between social and market housing by further expanding the intermediate market, both through shared ownership and intermediate rent.

- The need to continue to address the optimum balance between social rented homes and homes for low cost home ownership. The National Audit Office (NAO) report *A Foot on the Ladder* noted that low cost home ownership (LCHO) assistance can cost the taxpayer less than half the grant needed to house people in social rented accommodation. The NAO recommended better targeting of LCHO products at those in, or likely to move into, social rented homes. This might include looking at innovative ways to deliver LCHO, to support present and prospective social renters into home ownership.
— Issues around tenure and targeting—it is possible that significant numbers of households are benefiting from social rented housing when they could afford to move into the market sector, or pay a market rent, at the same time as many households continue to live in temporary accommodation or overcrowded conditions. There may be a case at considering whether approaches might be explored which helped better target a limited resource at those most in need, whilst remaining consistent with the principles of mixed communities and the avoidance of residualisation.

— The need to ensure that social rented accommodation continues to offer appropriate support to those most in need. As many as 40% of new lettings by housing associations are to tenants have some sort of support need that means they are very likely be unable to sustain any other form of tenancy in the long term.

Memorandum by Blackpool Council (SRH 46)

1. INTRODUCTION AND BACKGROUND

1.1 Blackpool, the UK’s largest and most important coastal resort, welcomes the opportunity to present evidence to the Committee’s inquiry into rented housing. Along with regeneration of our economy, housing renewal in Blackpool is a core priority for local stakeholders. It is our belief that this memorandum will provide a valuable insight to the unique dynamics at play in our town’s rented housing sector.

1.2 Over the last three decades the economy of Blackpool has been subject to serious decline. This reversal in economic fortunes has produced a series of highly specific, interrelated problems, including a very particular form of imbalance and failure in the existing housing stock. To date, existing government policy has paid insufficient attention to these particular challenges, and the specific interventions required to reverse worsening trends.126

1.3 In January 2006 Blackpool Council commissioned an unprecedented study into the town’s housing market to inform the development of a robust housing strategy. This study was undertaken in conjunction with adjacent local authorities, English Partnerships (EP), the Housing Corporation (HC), and principal Registered Social Landlords (RSLs). The research has delivered a full Housing Market Assessment for the natural housing market area (Blackpool and Fylde), and is helping frame a strategy for intervention based on likely future socio-economic scenarios. This strategy has is being developed with local and regional actors, and the Council is now preparing the ground for intervention in the housing market in order to address existing market failures, support economic growth and create balanced, mixed communities.

2. BLACKPOOL: HOUSING MARKET FAILURE AND A STRATEGY FOR INTERVENTION

2.1 Blackpool’s strategic housing study included the following key findings:

— The areas of most severe socio-economic deprivation are also the areas that contain the worst housing stock.

— In the most deprived inner wards the private rented sector accounts for an incredible 47% of total stock. Most of this private rented stock is very poor quality.

— Houses in Multiple Occupation (HMOs) are a severe problem—approximately 3,400 units in inner Blackpool—and this is closely related to extreme levels of transience.

— Social sector is too small, with shortage of family accommodation and oversupply of flats.

— Lack of choice in the social sector is pushing people into the private rented sector.

— Affordability is a major problem owing to house price inflation as a consequence of the lucrative private rented market and low average earnings.

2.2 The social rented sector in Blackpool will remain small under all likely future scenarios. Nevertheless, there is a pressing need for greater choice and a more balanced mix of social rented property; it is hoped that ALMO status will assist in remedying this. The private rented sector is expected to remain unusually large in Blackpool. However, there must be a radical change to improve the quality of the stock as it is currently driving deprivation, especially in the resort core.

2.3 Using the findings of the strategic housing study and in close consultation with local partners, Blackpool Council is now developing a strategy for tackling housing failure and creating mixed, sustainable neighbourhoods.

126 For an introduction to the position of the town and general government policy please refer to Blackpool Council’s written submission to the recent ODPM Select Committee Inquiry into Coastal Towns (March 2006).
3. Social Rented Sector

3.1 The level of investment required to meet Social Housing need in Blackpool is significant: £75.6 million is needed in order to meet the Decent Homes Standard by 2012 and £255 million up to 2033 to meet tenant aspirations. These figures do not include monies required to provide more social rented family accommodation, which is acutely needed if Blackpool is stabilise more vulnerable segments of its population. On this point, it must be noted that Local Housing Allowance and Housing Benefit are problematic for larger families, as the market rent for larger properties grows out of proportion to the number of occupiers owing to the paucity of good quality family stock in the town.

3.2 Whilst recognising that there will always be a need for good quality rented social housing, there needs to be a stronger emphasis on shared ownership/low cost home ownership. This need is partially borne out of the continuing house price spiral and the Government’s desire to encourage home ownership. Rather than catering mainly for a lower end of the housing market who rely on cheaper rented provision, there are masses of younger households who typically in the past would have got onto the first rung of the ownership ladder and now need assistance to do so.

3.3 In Blackpool, increasing home ownership amongst target groups will be critical in delivering sustainable communities, as well as providing good quality private rented family accommodation. Indeed, the growing monoculture of poor quality inner area private rented housing further underlines the need for a shift in emphasis, which requires new social housing focused on shared ownership to improve housing mix and help inject more pride and stability into deprived communities.

3.4 Success in Blackpool will require a more flexible approach by the Housing Corporation and public-private partnerships, rather than one size fits all policies. Local market factors (namely a burgeoning poor quality private rented sector fuelled by “benefit tourism”) means that the cost of intervention in Blackpool is high. Even in our least desirable areas, the average unit cost of a terraced property is over £100,000. In these circumstances policy must focus primarily on the outcome, ie badly needed affordable housing, as opposed to the cost of intervention.

3.5 There is already a substantial body of evidence on the performance of different types of landlord, and ALMOs are consistently recognised as the most innovative. It is with this in mind, and the need for investment, that Blackpool is pursuing ALMO status. The National Federation of ALMOs are been campaigning for the ability to build and this is going to be piloted with three star ALMOs. Providing this is done in partnership with the Local Authority this is a positive step forward. The advantage from the perspective of the local authority is that the ALMO is locally based with a remit to improve properties and services in their Local Authority area with a direct link to the Corporate and Community Plans; RSLs can sometimes have different motivations.

4. Private Rented Sector

4.1 In Blackpool the private rented sector comprises over 16% of total stock compared with approx 9% nationally. In our inner areas this figure escalates to over 33%, and as high as 58% in some wards. There is an acute mismatch between much of our private rented stock and the needs of local residents. Indeed, the identified desire in Blackpool is for two bedded (or larger) self contained property, whereas our private rented offer is dominated by Houses in Multiple Occupation—approximately 3,500, which have evolved from former holiday accommodation.

4.2 The ready availability of rented accommodation in Blackpool, often of poor quality, concentrated in our most deprived neighbourhoods has resulted in a spiral of decline and extreme transience of the population in our inner areas. The availability of this stock is attractive to the benefit dependent, and landlords advertise all over the United Kingdom, targeting those on benefit. This form of “benefit tourism” is fuelling this failure of tenure in Blackpool, and the lucrative nature of the business is keeping property values high in our most deprived areas. There is little evidence of swathes of empty property in Blackpool; landlords keen to enter the rented market or increase their current portfolio quickly snap up property, typically letting it in poor condition. The desire of residents living in poor quality rented housing, identified in our housing needs survey, is for social rented accommodation. However, because we do not have enough social rented accommodation available (less than 10% compared with more than 19% nationally), people are forced to find places in the private rented sector.

4.3 The quality of the private rented accommodation and the quality of its management is a huge issue for Blackpool. We are currently working with DCLG (in conjunction with Manchester, Salford and Middlesbrough) on the case for selective licensing in one of our most deprived neighbourhoods. This neighbourhood has approximately 50% of its households living in private rented accommodation. In addition, the Council and local partners are using freedoms and flexibilities within the Local Area Agreement (LAA); in this case allowing direct payments of housing benefit to private landlords meeting decent homes standards in priority neighbourhoods. Irrespective of these innovative attempts, we require much firmer support from central government if we are to realistically remedy the situation. Indeed, it is our belief that once government has fully recognised the complexity and seriousness of the problem, it should
consider making special resources and powers available to tackle this specific issue. One possibility is granting affected areas a special form of pathfinder status, enabling the authority to take effective action to improve and rebalance the housing stock.

4.4 Whilst licensing may ameliorate the situation, Blackpool Council is of the firm view that radical intervention is required if we are to achieve a satisfactory solution for the longer term. Inner areas of Blackpool are remote from open space and local services. Likely required interventions involve some clearance and the creation of green space and community facilities, in order to provide greater diversity of tenure and a sense of place. These will be essential to support the wider regeneration of the resort, so that the housing profile matches the economic opportunities that will be created through resort Masterplan developments.

4.5 In order to tackle the housing market failure and deliver its strategy for sustainable housing, Blackpool Council will need input and resources from the Regional Housing Board (RHB), Housing Corporation, English Partnerships, private developers and landlords. We welcome the early involvement of these agencies in the development of our approach, and hope that future spending commitments will reflect the unique extent of housing challenges in our town.

5. THE PLANNING SYSTEM

5.1 In recent years the Council has worked with partners to deliver a mix of tenure within our most deprived areas, including quality accommodation for rent, shared ownership and outright sale. We have done this by acquiring properties that were for sale and in need of refurbishment, and also by acquiring small industrial premises that sat incongruously within residential areas.

5.2 However these premises, particularly the existing housing sites, have a value to private landlords as unimproved rented accommodation. As such our Housing Association partners have often had to pay a premium for the sites. This has led to difficulties in financing projects using the funding available from the Housing Corporation. Consequently we have subsidised these projects from monies accrued through section 106 agreements. These monies have been paid as contributions from large developments elsewhere in the Borough in lieu of providing social housing on site as part of that development. Some £1.1 million have been used in this way; unfortunately, owing to the lack of large scale development currently underway in Blackpool and the dearth of available development land, there is no more funding of this type available to subsidise the Housing Association programme. The Council is currently funding the Housing Associations activities through its Neighbourhood Renewal Funding stream.

5.3 Blackpool Council and its partners are looking to government to create a flexible, enabling planning framework that will support innovative solutions to tackling particular forms of housing market failure, such as that briefly described in this submission. Wherever possible, this framework should look to allow local multiple local authorities to act strategically across administrative boundaries in real housing market geographies.

Memorandum by Crosby, Formby & District Citizens Advice Bureau (CAB) (SRH 47)

The Citizens Advice service helps people resolve their legal, money and other problems by providing free, independent and confidential advice, and by influencing policymakers.

Sefton is a place of contrasts, from the seaside resort of Southport to the inner urban area of Bootle. Despite possessing some stunning coastline and rural areas, Sefton contains some of the most deprived communities in the North-West. Currently 8 of the 22 wards in Sefton are classed as Super Output Areas (SOA’s). (Indices of deprivation).

The 1995 Merseyside House Condition Survey estimated that 13.5% of private housing in Sefton was unfit, against the regional average of 7.5%. There is ongoing work to tackle the major housing issues linked with deprivation and affordability.

In housing terms, the diversity of Sefton’s communities is equally apparent:

The north of the Borough features predominantly private sector housing in owner occupation or private renting. The condition of some private sector housing gives serious cause for concern, as does the concentration of houses in multiple occupation (HMO). In addition house and land prices have increased in line with national trends, leading to a shortage of affordable housing.

The south of Sefton is dominated by heavy industry, pre 1919 private dwellings and more modern local authority stock. Disrepair, and non-compatible land uses are the main issues in this area. Low property values and negative equity are of increasing concern and housing markets have more in common with Liverpool and Knowsley than the north Sefton area. The reasons listed above are why South Sefton was designated as a Housing Market Renewal Area.
Presently, the housing stock in Sefton totals 121,777 dwellings comprising:

*Local Authority stock 13,210
RSL stock 7,137
Private rented 10,143
Owner occupied 91,287

*Due to transfer to ‘One Vision’ Housing Association at the end of the year.

Taken from Sefton MBC website—www.sefton.gov.uk

In 2005–06 10,086 enquiries were dealt with at Crosby, Formby and District CAB. 10% concern housing issues, of which, 23% were from private landlord tenants and 13% of these were around the issues of threatened homelessness. It is therefore clear that enquiries from the private rented sector are disproportionate to the number of private tenants in the local area.

Each year there are indications of a substantial increase of these types of enquiries as the availability for social housing decreases in the Sefton area. It is clear that many tenants in the private rented sector are vulnerable due to poor security of tenure offered by private landlords.

**Issue—Retaliatory Eviction**

A serious weakness with current legislation is that it doesn’t protect private tenants from eviction when exercising their rights to have repairs and health and safety issues addressed.

Under the Housing Act 1988 Section 21, to legally end an Assured Shorthold Tenancy Agreement, the landlord must serve a Notice Requiring Possession upon the tenant and must give the tenant a minimum of two months’ notice. This notice applies to a statutory periodic tenancy which is a tenancy that automatically continues after the expiry of a fixed term Assured Shorthold Tenancy. As long as this notice is served correctly there is no defence for the tenant against the repossession of the property. Landlords are not required to give reasons, so they may legally use this procedure as a retaliation tactic if a tenant tries to get repairs or safety issues addressed. As a consequence, private tenants can be forced to live in poor conditions which have a detrimental effect on health and wellbeing. Tenants often do not dare risk taking action to exercise their statutory rights. Evidence suggests that this is undermining the effectiveness of legislation designed to improve standards in the private rented sector.

The following recent local cases demonstrate what CABs across the country are reporting is a national problem.

**Case 1.**
Client lives alone and suffers from Crohn's disease. She has lived in her privately rented flat for 13 years. As her tenancy agreement was never renewed after the first 12 months, she now has an assured short hold tenancy that has become periodic. In legal terms this means the landlord can use the tenancy accelerated possession procedure (§21) and give 2 months notice. The landlord doesn’t have to have any reasons or grounds to do this. The property is in poor disrepair with damp and has windows that don’t close. Recently the gas fire was replaced with a two bar electric fire because the landlord did not want to pay for the chimney to be swept. This is the only form of heating which doesn’t sufficiently heat the property and incurs high costs. As our client survives on benefits it is difficult for her to cope both financially and physically as the living conditions aggravate her health condition.

The CAB successfully gained a grant from the ‘Warm Front’ scheme for gas central heating. As there was no cost to the landlord he was happy to have it installed. However, when the contractors came to survey the site for the work to be carried out they decided they could not do it. The reason they gave is that the gas meter was located in the flat on the ground floor (Client 3rd floor). The landlord will not pay the £800 to have the meter relocated to client’s flat, even though the landlord has a duty under the health and safety regulations. There is a serious safety concern, for if there is ever a gas leak, our client has to travel two flights of stairs to the neighbour’s flat to ask for entry to switch off her gas supply. If the neighbour is not at home she has no other means to deal with the problem other than calling emergency help. Our client is protected by the law to enforce her gas supply. If the neighbour is not at home she has no other means to deal with the problem other than calling emergency help. Our client is protected by the law to enforce her heating which doesn’t sufficiently heat the property and incurs high costs. As our client survives on benefits it is difficult for her to cope both financially and physically as the living conditions aggravate her health condition.

**Case 2.**
Client lives in a privately rented house for the past 5 years. The house is in general disrepair and the landlord is aware of this but has refused to address it.

He approached his landlord for help recently, as he was concerned about the ivy type plant that covers the wall of the rear of the property. His main concern is it has covered the vent for his boiler and it has grown over his window, almost completely covering it. He has tried to cut it back from his window, however, with at least two wasp nests contained in it, and together with the thickness of the plant, it is proving too difficult. The landlord has refused to deal with the problem, giving the reason that he is concerned that moving the plant will dislodge the brickwork. He has also
stressed that he does not want our client to touch it either. The landlord has also refused to pay the £45 to the Council to remove the wasp’s nests; he says that it is the tenant’s responsibility. The health and safety issues were pointed out to the client and he was informed that the LA has powers to force the landlord to meet his responsibilities. Client has refused this help as he is concerned the landlord will evict him. Client’s tenancy has lapsed into periodic, which means he can be served with a Section 21 notice and under current legislation this cannot be defended. These people are invisible to the local authority, because their fears of becoming homeless are greater than his fears for their safety.

**Potential Solutions**

There is no doubt that there are a large number of private landlords who operate in a fair and professional manner. However, for the ones who do not there needs to be some protection for the tenant.

The 2004 Housing Act has given wide ranging powers to Local Authority Environmental Health Departments with regard to health and safety standards. This legislation is at risk of being rendered meaningless, unless tenants who try to use it are protected from retaliatory action by their landlord.

One way forward would be to remove the right of landlords to use S21 to evict a tenant in circumstances where the tenant has recently taken steps to enforce statutory rights regarding disrepair or health and safety issues. There is a precedent for this in that the recent legislation on licensing prevents landlords from using S21 where they do not have the required license. Also the forthcoming tenancy deposit protection legislation will make use of section 21 conditional on the landlord having met the legislative requirements concerning protection of any deposit charged in a statutory scheme.

A similar approach already exists in employment law where an employee cannot be dismissed for trying to enforce their statutory employment rights. In such circumstance the dismissal would be deemed Unfair. We are seeking a similar outcome for a tenant who has a Section 21 Notice served as retaliatory action for attempting to exercise their legal right to repair and safety work.

The extract below is taken from the Australian residential tenancies authority website, it illustrates how the issue is dealt with there. Similar protection is also offered in many states of America.

**Retaliatory Eviction**

If the lessor/agent retaliates against the tenant by giving them a *Notice to Leave* (Form 12) without ground, because they tenant has enforced their rights, the tenant can apply directly to the Small Claims Tribunal to have the notice set aside. The tenant must apply to the Small Claims Tribunal within 4 weeks of getting the *Notice to Leave* (Form 12).

For example, if the tenant asks the lessor/agent to fix something and they believe the lessor/agent has given them a *Notice to Leave* (Form 12) because they’ve asked them to fix something, the lessor/agent is retaliating against the tenant because they have enforced their rights. If the tenant wants to stay in the place, they can apply directly to the Small Claims Tribunal. (c) The State of Queensland Residential Tenancies Authority 2006.

**Conclusion**

The introduction of such a reform here would help to improve property standards in the private sector and prevent the repeated cycle of tenants being evicted and then replaced by new tenants caught in the same trap. It would also have the advantage of being targeted only on landlords who are causing this problem, leaving the rest of the sector unaffected.

The Law Commission’s draft Bill on tenancy reform could provide the opportunity to make these reforms. However, they are not currently included in it.