Response Paper

The Housing Green Paper
Quality and Choice: A Decent Home for All

Response by the Chartered Institute of Housing to the DETR's Consultation Paper

July 2000

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Quality and Choice:
A Decent Home for All

The Chartered Institute of Housing is the only professional organisation representing all those working in housing. Our purpose is to take a leading and strategic role in encouraging and promoting the provision and management of good quality, affordable housing for all.

The Chartered Institute has over 16,500 individual members working for local authorities, housing associations, educational establishments and the private sector.

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QUALITY AND CHOICE: A DECENT HOME FOR ALL

Response to the Government's Housing Green Paper by the Chartered Institute of Housing

Introduction

The Chartered Institute of Housing welcomes the Housing Green Paper as the most comprehensive review of housing policy for more than twenty years. We are pleased to see many of the Green Paper's proposals, including a number of those called for by CIH and other housing bodies. Taken together with the results of the Chancellor's Spending Review 2000, we believe that there is now the basis for a coherent housing policy that can begin to address many of the problems which have been building up over the past two decades and more.

We look forward to early implementation of the Green Paper's proposals, and have already written (jointly with other national organisations) to the Prime Minister, calling for a commitment to early legislation.

We have many detailed comments on the Green Paper and want to make further proposals which we would like the Government to consider. Our main comments are summarised below, and there then follows a detailed commentary on each chapter of the Green Paper.

In parallel with the Green Paper the Institute for Public Policy research has been preparing its report on the Future of Social Housing. The proposals in the Green paper, taken together with the longer-term ideas set out in the IPPR work, herald fundamental changes in the role and purpose of social housing, which have major implications for the housing profession. Those working in housing will need a range of new skills, whether in devising broader housing strategies, engaging in neighbourhood management or responding to the commercial pressures which will increasingly apply. This represents a massive agenda for the profession, to which the Institute will be responding in terms of its education programmes, training, and professional development.

Clearly the Green Paper is principally a policy document for England. However, its proposals on housing benefit will affect the whole of the UK and any changes in primary legislation will also affect Wales. As a UK organisation, we have made comments where appropriate on the implications of the Green Paper for Scotland, Wales and Northern Ireland. An overall comment on the implications for Wales is set out below.

The Housing Green Paper in the Welsh context

The Green Paper suggests that housing policy is a matter for devolved government in Wales and only proposals for Housing Benefit apply to the whole of the UK. However, what the Green Paper fails to acknowledge is that any proposals for primary legislation, for example in the private rented sector, for homelessness and for renewal and improvement policies will also affect Wales. The National Assembly for Wales has responsibility for developing secondary legislation - responsibility for primary legislation remains with

Westminster. It is the view of the housing profession that greater scope for secondary legislation will allow for housing policies to be developed which respond to the housing needs of Wales.

It is important that the DETR acknowledges, in drafting any legislation resulting from the Green Paper, the specific needs, priorities and context within which Welsh housing markets operate. We would ask the DETR to ensure that any legislation be drafted in such a way as to allow the National Assembly maximum flexibility to develop its own direction reflecting the particular needs of Wales.

At the same time as the Government is seeking views on its Green Paper, the National Assembly for Wales is developing its National Housing Strategy. Four Task Groups have produced a wide ranging set of recommendations, and a consultation paper based on these will be circulated widely in Wales in the autumn. It is widely acknowledged that the Green Paper forms an important part of the wider context for this consultation. Some of the chapters of the Green Paper related to matters where the DETR will set policy and issue guidance for local authorities and other housing organisations: policy development in Wales on these maters will be developed through the National Housing Strategy.

Summary of CIH Views on the Housing Green Paper

Chapters 1 and 2

- The principles which the Green Paper sets out for future housing policy are accepted but in our view are too narrow. We call for a wider objective of 'sustainability', defined in the broadest sense, and we put forward a range of specific objectives which could be used in defining this objective.

Chapter 3

- A clear range of duties and powers relating to the strategic and enabling role of local housing authorities should be set out in legislation. (Detailed suggestions as to the scope of legislation are included in the response.)

- Clearer guidance is needed to local authorities on how they should develop an understanding of local housing markets and engage in them positively. Guidance on assessing housing needs should take a wider, housing market approach.

- It should be an important part of the Best Value test of housing strategies that councils are seen to have made explicit judgements about the resource input to older housing areas and how these fit in with their wider housing strategies.

- Better guidance is needed on the relationship of housing strategies to the planning system.

- The Housing Corporation should build on the success of joint commissioning; local authorities should be required to have a Best Value procedure in place for allocating LA SHG.

- Within the context of the Corporation's regulatory role, local authorities should have a role in monitoring the performance of RSLs in their areas. This will require changes in how performance is measured and reported (we make proposals in the response).

- A review is needed of housing's place in the new regional framework, and how it might best be developed.

- Fuller guidance is needed on how councils can separate their strategic and landlord roles and how the benefits of clearer roles can be achieved.

- In developing the LA strategic role, particular attention needs to be given to the rural dimension and to the needs of black and minority ethnic communities.

- Performance in the strategic role will have to be a key issue for the new Housing Inspectorate.

- The DETR should ask for information on how councils transferring their whole stock (especially smaller councils) intend to carry out and resource the strategic role. Moves towards a stronger role for councils in dealing with RSLs should also be contingent on their demonstrating their strategic capacity.

Chapter 4

- Around half of all poor people are home owners, yet only 8% of state help with housing costs to low income households goes to home owners. Better state support is needed, but equally people should not be encouraged into homeownership if they cannot afford to sustain it.

- We welcome the Starter Home Initiative to help meet housing need in high pressure areas, suggesting that it could consist of four elements: homebuy, conventional shared ownership, DIYSO and renting. There must also be some consideration of how to deal with negative equity.

- We very much support the changes to benefit help with mortgage interest payments (the 52 week linking arrangement and four week run on after starting work).

- Another way of significantly reducing the unemployment trap would be to add a modest flat rate housing credit, of say £20 per week, to the proposed new employment credit.

- The case for extending the waiting period for benefit help with mortgage interest payments from 9 to 14 months is very weak. On the contrary, we argue that removing the waiting period altogether is the best way of making home ownership sustainable.

- Reform of the legislation governing grants and loans is essential if homeowners are to be encouraged to spend more of their own resources on improvements and maintenance. This should be a priority for legislation.

- Making small loans for home improvements exempt from the Consumer Credit Act would remove a significant barrier to the development of commercial loans products.

- Whilst we welcome more flexibility over renewal areas, there is also a need for better understanding about the sustainability of an area when making decisions about how to invest in the stock.

- In some parts of the country there is a need for radical reshaping of the housing market, especially the older housing stock, involving a mixture of demolition of surplus or obsolete stock, refurbishment and replacement. This will require substantial additional

resources.

- The problems in the private sector stock are significant. There is a need for a National Housing Renewal Strategy, to establish some broad principles for dealing with these problems.

Chapter 5

- CIH wants the private rented sector to improve in quality, and expand in size. Government policy needs to support the sector to promote high standards and develop a suitable finance vehicle, whilst at the same time ensuring that unacceptably low standards are not allowed to continue.

- The government must remain committed to licensing all Houses in Multiple Occupation, which generally exhibit the worst physical conditions and management standards.

- CIH believes there is considerable scope for improving the regulatory framework for the entire sector in all areas. Better regulation would give financial investors more confidence. Work on how this might be achieved, commissioned jointly by CIH with the British Property Federation, is in progress.

- More tools are needed to bring the private rented sector within an overall strategy in areas of low demand. CIH prefers suggestion 1 (discretionary licensing) and suggestion 3 (stopping direct payments). We are absolutely against suggestion 4 (restricting housing benefit for unruly tenants).

- CIH would like to see government policy promoting the use of longer tenancy terms, so that 12 months or longer becomes the norm.

- We understand that a suitable investment vehicle would help to bring large scale investment into the sector. We also support access to low cost loans to enable landlords to undertake improvements to properties.

Chapters 6 and 7

- We are very pleased with the Government's recognition that the investment backlog in council housing is £19 billion and with the target to tackle this within ten years.

- Proposals for reforming rents should not be allowed to have a detrimental effect on investment levels, particularly investment in existing stock.

- We are pleased that the Green Paper is introducing a further option for local authorities (arms-length companies) and we look for clarity in how these will operate alongside the other options.

- We believe that it is important that councils and tenants have a real choice of how to meet the investment needs in the housing stock. In the IPPR report on the Future of Social Housing, a fundamental appraisal of the future of each council's stock is called for on Best Value principles. We endorse this approach, and are pleased to see it partially endorsed in the Green Paper (para.7.20).

- It is important that tenants are informed about and involved in option appraisals for local authority housing. Independent tenant advisers should be available to tenants at an earlier stage and have appropriate skills and knowledge. More specific guidance

should be issued on their role. Tenants' views on options should be taken into account by DETR when they carry out their initial discussions with councils.

- In Wales, options apart from stock transfer have not yet been encouraged by the National Assembly. We believe that the same range of options should be available to Welsh local authorities as applies in England.

Stock Transfer

- We welcome suggestions for changes in the objectives to be achieved through transfer, particularly the recognition of the importance of regeneration.

- Regeneration is provided for as part of business plans and be reflected in the transfer price and to some extent in post-transfer rents. This is normally the only way in which regeneration can be funded. LSVT RSLs and those catering for black and ethnic minority communities are amongst those most likely to be affected by the planned rent regime, and the implications for associated regeneration need to be considered.

- Whilst understanding the Government's motives in pressing for more competition in the transfer process, we see potential conflicts with the way that transfer proposals are developed locally in response to tenants' wishes. This aspect will need careful handling.

- The Government wishes to foster more diversity in transfer but has discouraged estate-based transfers by ending the Estates Renewal Challenge Fund. We would welcome consideration of how to promote estate-based transfers in the review of LSVT policy.

- More choice means more transfer bodies being established, more staff capable of directing the new bodies and more people capable of being board members. As the professional body, we are considering ways in which these skills gaps can be addressed, and believe that more attention needs to be given to the issue.

- We welcome the flexibility around the 12,000 size limit but would still prefer no size limit but a responsibility on councils to come forward with transfer structures which are appropriate to local circumstances.

- In big city transfers, it is important to get the right balance between local accountability on the one hand and (on the other) creating bodies which have the capacity for wider regeneration and are viable in the longer term. We welcome the suggestion (para.7.25) about flexibility in transfer arrangements so that structures can be adapted over time.

- The transfer levy could be made more progressive so as to capture some of the 'surplus' from transfer in better quality areas and redirect it to poorer quality stock.

- The further review of the transfer process should consider:

  - Finding ways to incentivise authorities to use as much as possible of any capital receipt for new housing (in areas of continuing demand).
  - Dealing more effectively with overhanging debt.
  - Ensuring that councils take account of the potential of existing RSLs operating in their area in allocating LA SHG, along with stock transfer bodies.
  - Providing greater scope for variation in the make-up of RSL boards.
  - Allowing LAs to have an on-going monitoring role in relation to stock transfer bodies.

Arms Length Companies

- We would like to see this proposal developed as quickly as possible so that it becomes available as an option for those authorities that can pass the tests proposed. It is important that proposals are not delayed by the inspection process or frustrated by unrealistically high performance requirements.

- In the longer term we would like to see ALCs develop more independence to operate as LA-owned businesses, including the ability to dispose of stock, reinvest the proceeds, and build new stock.

Other Points

- In setting out a vision for the future of social housing a commitment to review and modernise the structures of RSLs should be included.

- We also commend the long-term vision for 'community housing' set out in the report of the IPPR Inquiry into Social Housing.

Chapter 8

- CIH believes there is a need for estimates of affordable housing at regional and national level as well as the local level, set within the context of a better understanding of housing markets.

- Public funding levels should be based on robust estimates of need. We calculate that there is a need for £823 million in addition to the latest 2001/2002 ADP budget to build a total of 80,000 homes, which we believe to be a realistic, if conservative, estimate.

- We urge the government to make a commitment to meeting the demand for new affordable housing.

- We suggest three stages to reform of the planning system to promote social inclusion and support a positive future for social housing. Stage 1 is to ensure provision of sufficient affordable housing, stage 2 is to ensure effective integration and stage 3 is to support the blurring of tenure.

- The contribution the planning system can make to affordable housing provision and to creating mixed communities should be maximised. This would be best achieved by radically reforming Circular 6/98.

- Achieving a mix of housing, including a mix of tenure, should be seen as an important outcome of the planning system, and one which should be monitored.

- A greater proportion of the ADP should be allocated to rural areas. CIH suggests an immediate increase to 6%.

- CIH strongly urges the government to consider allowing communities with small populations of less than, say, 5000 people to be exempt from the Right to Buy.

Chapter 9

Choice in lettings

- We support the broad objectives and principles of choice, but have concerns about the practical operation and possible consequences of too great a concentration on one aspect of the letting of housing.

- We recognise the different local housing markets within which housing organisations work, and strongly believe that any national framework for allocations should allow for

local circumstances and experience. A single model for lettings should not be imposed 'top down' .

- Allocation policies alone are unlikely to solve problems without a whole package of other regeneration measures.

- Wholesale changes should not be encouraged without further work and pilot projects to identify good practice, and to test and examine the outcomes and consequences of policy shifts

- Local authorities should produce annually-updated statements of housing requirements and how these may be met through the whole of the housing market

- All local authorities and RSLs should monitor outcomes of their allocation policies and procedures in a more rigorous, comprehensive and comparable manner.

Homelessness

- The proposed changes in homelessness legislation are welcome, but may create difficulties in areas of high demand.

Single core tenancy and Right to Buy

- We are pleased with the acceptance of the CIH's suggestion for a single core tenancy, which would form the legally unquestionable, consistent and enforceable statutory basis for all social sector tenancies. We would like to see more detailed work begin on this as soon as possible.

- The Right to Buy should be overhauled to end the *obligation* on landlords to sell, and develop a much more flexible framework for Right to Buy.

Chapters 10

- We welcome the intention to move towards a more coherent national rent structure, and recognise that this will need some basic technical formula or mechanism.

- A new rent structure should be firmly based on the principles of *affordability, coherence and sustainability.*

- We are concerned that absolute and inflexible top down definitions are quite likely to cause problems.

- On balance, and depending on further detailed modeling at a more local level, we believe that these objectives are most likely to achieved by:

    - an HRA model with a greater emphasis on incomes, probably the 70:30 incomes: values option
    - an upper limit based on affordability, assessed by considering ratio, 'out of HB', and residual income measures, and based on district level mean incomes for manual earnings
    - a lower limit based on notionally determined basic landlord running costs, which could include management, maintenance, and some contribution towards debt servicing.

- We think that no single existing source of data on property values (such as capital values) adequately reflects housing markets as relevant to social housing. We suggest that a range of data should be considered and assessed to give more relevant comparisons, including:

  - Valuations for HRA resource accounting
  - Land Registry house price data , using property types and sizes which best reflect not-for-profit housing as closely as possible,
  - Right to Buy sales and valuations
  - Rent Service database of market rents.

- Data should be collected using geographical boundaries which reflect detailed local variation and real housing markets.

- Further work is required to prepare the ground for a more coherent rent structure, and research and debate on this element of the Green Paper should continue.

- It is important that the Government thinks through very carefully how the policy changes on rents will affect these individual localities and organisations, otherwise it could undermine its policies of neighbourhood renewal and tackling social exclusion. We have a range of specific suggestions on this topic.

Chapter 11

Simplification

- We are pleased that the Government has acknowledged housing benefit suffers from poor and inconsistent delivery and that this is in large part due to its administrative complexity. This must mean that the immediate priority must be for substantial simplification.

- It is not possible to simplify benefits without creating losers or imposing additional expenditure on taxpayers. If claimant losses are to be minimised then either the benefit rules will need to be relaxed or, simplification be accompanied by a boost in benefit levels.

- Priorities for simplification should be a single claims process, fixed benefit periods and improvements in the exchange of information between all agencies facilitated by new technology.

- Transitional protection for claimants from rent restrictions should only be phased out if the current rules are made more generous.

- Non-dependant charges should be more closely related to income (rather than status) and be limited to 50% of the full rent.

Improvements in administration

- We welcome the proposal to introduce a new appeals structure in 2001 but are concerned that this will result in the limiting of backdating.

- Financial incentives to local authorities should reward improvements in customer service and not be restricted to the detection of fraud and error.

- The system of subsidy incentives for overpayments needs to be overhauled. Incentives should be designed to encourage improved performance by social landlords in rent collection.

- There should be incentives for local authorities to spend their allocation of exceptional hardship payments.

Work incentives

- The short-term priority to improve work incentives should be to restore the earnings disregards to their 1988 levels. Disregards are easy to understand and simple to administer.

- In the medium-term the government should aim to integrate housing costs within tax credits for working claimants. This is the only measure capable of significantly reducing the highest marginal rates of withdrawal. This would have the added advantage of reducing housing benefit caseloads.

- The abolition of the single room rent would help simplify the scheme and improve work incentives for young people. If the Government does not abolish the restriction then we would support a broader definition of a single room rent.

Keeping tenants in touch with their rents

- Debate on reforms such as shopping incentives should not be 'put on ice' whilst social sector rents are restructured. There is no reason why social sector rent restructuring should delay reforms to the private rented sector. Any programme to introduce shopping incentives should be staged so as to not dictate the pace of housing reforms in Scotland, Wales and Northern Ireland.

- If introduced, shopping incentives should be seen as an opportunity to introduce further simplifications and *reduce* (not increase) hardship. We may be prepared to support these reforms if accompanied by significant increases in benefit levels.

- Preparation and piloting should take place whilst rents are restructured. Alternative schemes should be piloted to test their efficacy.

- Ending direct payments may improve tenant awareness of their rent but could result in increased rent arrears and cash flow problems for landlords. The payment of benefit four weekly in arrears tends to undermine the objective of reinforcing the tenant's responsibility for prompt payment of rent. Reform should be proceeded with cautiously after assessment of the impact on rent arrears. Direct payment should be retained for vulnerable tenants.

Chapter 12

Rough sleeping

- We welcome the continuing programme to tackle rough sleeping and the proposal to give statutory protection to young single homeless.

- The Government needs to apply a more joined up approach to tackle the causes of homelessness. In particular it should acknowledge the role of inadequate benefit levels for young people, the costs of setting up home and the lack of security afforded by

shorthold tenancies in contributing towards rough sleeping.

Supporting Vulnerable People

- We are concerned over the change from demand-led funding of support services to a cash limited system. There is a risk that the real value of the budget will be eroded over time as the cost of wages rise and the demand for services grows. We favour the continuation of the transitional housing benefit scheme as the best model for funding supported housing.

- We welcome the continued consultation over the Supporting People framework. However, there is a tension between ensuring that the framework will adequately identify and provide for local needs and designing a process which does not tie down providers in red tape.

- It is not possible to draw a definitive boundary between care, support and housing management. A degree of overlap will need to be maintained in 2003 to ensure that individuals and communities are not deprived of the services they need.

Tackling fuel poverty and improving energy efficiency

- We welcome the commitment the Government has shown to tackle these issues, in particular the new resources for the Home Energy Efficiency Scheme (HEES).

- The weakness of the HEES is that households with incomes just above benefit levels can be pulled into poverty if their housing is particularly fuel inefficient. Targeting at individuals on benefits is not necessarily the most efficient use of resources in whole neighbourhoods of poorly insulated homes.

- Similar programmes, backed up by resources, should be made available for local authority homes.

Anti social behaviour

- With a wide range of powers now available to local authorities there is little evidence to support the view that further powers are needed.

- Local authorities should be able to develop their own strategies to tackle anti-social behaviour. The use of legal remedies requires considerable skill and expense.

- Legal remedies tend to push the problem elsewhere, which can undermine joint working. The planning of support and resettlement strategies is at least as important as the use of legal powers.