

CAMBRIDGESHIRE HORIZONS

Agenda Item No: 10(b)

Major housing issues update

To: **Horizons Board**

Date: **23rd March 2010**

From: **Housing Co-ordinator**

Purpose: **To set out some of the key changes for housing and affordable housing specifically.**

Recommendation

:

The Board is invited to note the range of actions being pursued to respond to, and clarify the effect of, social housing reforms.

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Housing Issues and their Implications

1. INTRODUCTION

- 1.1 Following discussions at JSGIC, Horizons Board, Cambridge sub-regional housing board, GPB and the Development Industry Forum, this note has been prepared to outline the main changes and implications of the “local decisions” consultation on social housing reform and changes to local housing allowances.
- 1.2 This outline is followed by a review of the overall implications, and an account of the actions currently under way to address the changes ahead.
- 1.3 This paper is being brought to the Horizons Board because of the significant impact for districts within Cambridgeshire relating to house prices, housing affordability, housing markets, housing delivery and meeting housing need.

2. THE MAIN CHANGES

- Reduction in the HCA’s capital for new affordable housing, falling from £8.4bn nationally over the previous three years, to £4.4bn on building social housing from 2011-15. (Chartered Institute of Housing estimates that less than £2.5bn will actually be available for new affordable homes over this period due to previous commitments and other housing investment to come from the pot.)
- Introducing new “Affordable Rent” tenure.
- Altering the amount of Housing Benefit or Local Housing Allowance available to residents, to support their housing costs.
- Creating a new “flexible tenancy” with a minimum fixed term of 2 years (in addition to, not replacing, secure and introductory tenancies) for social lettings.
- Requiring local authorities to publish a new strategic policy on tenancies from April 2012.
- Investing in bringing empty homes into use as affordable housing.
- Giving local authorities the opportunity to restrict access to their housing waiting lists with the aim of helping manage them more effectively.
- Enabling local authorities to discharge a homelessness duty by arranging suitable private rented accommodation, without the applicant’s agreement.
- Replacing the existing housing revenue account (HRA) subsidy system for stock-owning local authorities with a new self-financing arrangement.

3. SUMMARY OF OVERALL IMPLICATIONS

- 3.1** Appendix 1 goes through each of the main changes and details some “overall implications” for each.
- 3.2** Many of these changes look negative for an area of high land prices, high housing need and demand such as ours, particularly for residents and in-comers who are on a lower income and may need some benefit to help meet their housing costs.
- 3.3** The new “affordable rent” product is the result of changes to the government’s approach to capital funding, and is an alternative model which enables new homes to be delivered through borrowing against higher rental streams. However these are aimed at a different sector of the market than “social rented” housing which was targeted at in the past. The new tenure may well meet housing needs of more affluent households, enabling them to afford homes they could not afford through the private market, but there remains an issue of the thousands of people who will need to wait for a smaller supply of “social rent” homes, which are charged a lower rent level.
- 3.4** Changes to the housing benefit and local housing allowances will affect peoples’ ability to afford housing in the highest demand areas. Where people can no longer afford the rent, they may well have to move to a cheaper housing area with all the associated consequences (loss or loosening of family ties, damage to informal support networks, disruption to childrens’ schooling should they move out of the school catchment area; longer commutes to work; loss of work if the commute becomes too expensive).
- 3.5** It is also important to consider the effect of housing subsidy changes on private landlords. Many private landlords in our housing sub-region can pick and choose who they accommodate due to high levels of demand. Some will continue to accommodate people referred to them by homelessness teams, and will continue to accept people on housing benefit, however the changes will inevitably affect both tenant and landlords choices.
- 3.6** Districts in our housing sub-region all currently subscribe to the HomeLink choice based lettings system. See Appendix 2 for further description of HomeLink. This enables applicants to take an active part in choosing the home they need and want to live in, putting more control in their hands than previous allocation systems. The system is valued for its transparency and accessibility. There are a number of changes to tenancy outlined in “local decisions” which will involve more choices to be made, and different “access” of some applicants to some vacant homes and some tenancy types. None of this is insurmountable, but must be tackled carefully to ensure HomeLink is still just as transparent and accessible, and that bidders are clear about the different factors they will need to consider when making a bid for a specific property. This risks becoming very complex to it is important

we work together to reduce confusion and enable our residents to take advantage of any new products on offer.

4. RESPONSE TO CONSULTATION “LOCAL DECISIONS”

4.1 The Cambridge sub-regional housing board (CRHB) has responded to the “local decisions” consultation¹ which gives high level issues for our housing sub-region. To summarise briefly, these comments included:

- **Flexibility of tenure:** Concerns around short term tenancies which, alongside the new “flexibility” mean neighbours in identical properties will be charged different rents, conflicting with natural justice and equity between residents.
- **Affordable rent:** Concern the new product will flood new housing developments, reducing our ability to build mixed, balanced communities.
- **Allocating social housing:** Concerned that the aim for 100% occupancy does not help build a community with long-lasting social capital – rather it will compel moves from one home to another, and from one area to another, as family size changes.
- **Mobility:** Concerned about the suggestion that tenants transferring should be taken out of the choice based lettings system. This leads to a drop in numbers assessed as “in housing need” but leaves us with people whose needs are very real who need to move.
- **Homelessness:** Aware that availability, quality, price and the nature of partnership built up over time between local authority and private landlords are key to using private rented housing to meet homelessness needs.
- **Overcrowding, underoccupation and empty homes:** Welcome any additional clarity on overcrowding, particularly the standards to be applied to judge overcrowding, and welcome the focus on bringing these homes back into use, though remain unclear how the announcement that authorities must wait 2 years before taking action assists with the government’s aim to bring more empty homes back into use.
- **Cross-over with Local Housing Allowance (and housing benefit) issues:** Concerned that under 35 year olds will struggle with the proposed changes as they will only get subsidy for a room in a shared house. Question how the new affordable rent system will work in harmony with the government’s desire to cut welfare dependency and the personal housing subsidy bill.
- For more detail, please refer to Appendix 3.

¹ Available at: http://www.cambridgeshirehorizons.co.uk/documents/crhb/meetings/jan_11/Item5.pdf

5. Other Actions

- 5.1** As requested by the Horizons Board, a briefing note on the “key messages” around social housing and welfare benefit reform has been prepared, to provide a consistent basis for responses on the implications of these changes in our area. The suggested key messages are provided as Appendix 4 to this report.
- 5.2** Members also requested a letter to Grant Shapps which has been drafted and approved and is provided as Appendix 5. This sets out some key concerns about social housing and welfare benefit reforms in our area, as summarised in the “key messages”.
- 5.3** Cambridge and South Cambridgeshire are working together with Horizons and Cambridgeshire Partnerships Ltd. to assess the impact for their housing markets specifically, particularly on the Cambridge Challenge sites.
- 5.4** Sub-regional housing partners are working together (with the HCA) to agree some headline principles to include in a sub-regional tenancy strategy framework, to help inform district strategies and landlords policies, ready for the 2011-14 bid round being initiated by the Homes and Communities Agency.
- 5.5** Workshops have been arranged by the HCA to provide further detail on the new “affordable rent” product and the process Registered Providers are being asked to follow, during the coming 2 to 3 months, in order to submit “packages” of bids for 2011-15.
- 5.6** Investigating commissioning some research into the link between the new “affordable rent” product, and existing policies in Local Development Frameworks, and wording of Section 106 agreements.
- 5.7** Investigating the relationship between the new revenue-funded model for affordable housing development in future, the CIL system and existing approaches to infrastructure and s106. Also the effect on the Cambridgeshire Local Investment Plan (due for agreement at Horizons Board in March) at its first 6-monthly review.
- 5.8** Report commissioned by CRHB into the contribution made by housing associations to civil society in our sub-region over recent years, using case studies to demonstrate the added value these organisations bring including such issues as:
- Building strong and vibrant communities
 - Giving young people a good start in life
 - Helping children and promoting healthy lifestyles and wellbeing
 - Putting tenants in the driving seat
 - Supporting the elderly and vulnerable

- Providing financial advice and support
- Helping tenants into work.

5.9 Other actions will be developed as our understanding of implications of the government's reforms widens.

6. RECOMMENDATIONS

6.1 The Board notes the range of actions being pursued to respond to, and clarify the effect of, social housing reforms.

APPENDIX 1: CHANGES AND IMPLICATIONS IN MORE DETAIL

Main change	Headline implications
<p>Introduce new “Affordable Rent” tenure.</p>	<ul style="list-style-type: none"> ▪ A move from the current capital funding system to enable development of affordable homes, to a revenue-based system in which housing associations bear greater risk (because no longer front funded). ▪ Tenants of the new AR product will be charged up to 80% of the private market rent level as assessed by the RICS “red book” method. Means significantly higher rents in our area, unlike other parts of the country. ▪ Housing Benefit will in theory support the increased charge for Affordable Rent. However limits on the amount of HB available will affect affordability of homes in different districts and Broad Market Rental Areas. ▪ The funding raised by delivering new Affordable Rent homes may be re-invested (as far as we can tell) anywhere in the country. The funding is not limited to the area where it was generated.
<p>Alter the amount of Housing Benefit or Local Housing Allowance available to residents, to support their housing costs</p>	<ul style="list-style-type: none"> ▪ The changes involve limiting the amount of personal subsidy available, by size of home (i.e. a max rent to be supported for a 1 bed, 2 bed, 3bed etc); by householders age (so up to 35 year olds will only get the cost of a single room rent supported, at present they can get subsidy for a self-contained flat); reduce the increase in rent levels per year, following CPI rather than RPI, and importantly only supporting 30% of the average private rent charges, rather than 50% at present ▪ This is all based on what is known as “broad rental market areas” which are bigger areas than districts. This means that for example, where rents are higher (in Cambridge) the subsidy will not meet the actual cost being charged by landlords, as a strong market and high demand means they can (and do) charge more. However in a neighbouring settlement (e.g. Haverhill) benefit is paid on the same average rent level as for Cambridge. This means residents may well have to move out of the City to access a lower rent, and more of which is subsidized. This will increase commuting into Cambridge and increase demand and pressure in the Haverhill housing market.

Main change	Headline implications
<p>Create a new local authority flexible tenancy with a minimum fixed term of 2 years (in addition to, not replacing, secure and introductory tenancies).</p>	<ul style="list-style-type: none"> ▪ Instead of lifetime, secure tenancies, landlords will have the option of time-limiting tenancies. This enables review and renewal as appropriate – if market conditions or household circumstances have changed, the landlord may decide to end a tenancy and provide advice to the householder, who would have to move elsewhere. ▪ It also facilitates raising private finance against the asset value of the “affordable rent” homes created.
<p>Local authorities will have a new duty to publish a strategic policy on tenancies.</p>	<ul style="list-style-type: none"> ▪ The new form of tenancy, the ability to offer short-term “flexible” tenancies and the government’s intention to protect the rights of specific tenant groups (e.g. older and vulnerable tenant) alongside the need to convert as much social housing to the new tenure, in order to raise funding to create new affordable homes, means each local authority will need to produce a strategy to outline how it wishes to approach each of these factors. ▪ A strategy is not required to be in place until April 2012, however housing associations need to put together bid “packages” in the next couple of months which will be affected by some of the factors outlined above. ▪ Therefore the housing sub-regional board is aiming to work together on some common headline principles in the next couple of months to produce a “shadow” strategy to help our Housing Association partners to get a steer, to help with the bid process. The strategy will also aim to support the HomeLink system and to enable housing applicants to continue to use and understand the housing choice process running in our sub-region (See Appendix 2).
<p>Invest in bringing empty homes into use as affordable housing.</p>	<ul style="list-style-type: none"> ▪ A welcome move, though CLG has also announced authorities will have to wait 2 years before taking action, compared to the previous 6 month period.
<p>Give local authorities the powers to manage their housing waiting lists.</p>	<ul style="list-style-type: none"> ▪ Seems to involve encouraging LAs to remove a large number of households (looking to transfer from one affordable tenancy to another) from the housing needs register. ▪ From the 22,000 households on our housing needs register across the 7 districts in our housing sub-region, approx 20%² are people wanting to transfer

² From HomeLink, Jan 2011.

Main change	Headline implications
	<p>within social housing. This enables tenants to meet their housing needs, for example reducing overcrowding and underoccupation, meeting medical needs by moving to a more suitable home, or moving across boundaries to live nearer to work or family networks etc.</p> <ul style="list-style-type: none"> ▪ However if provides more flexibility about prioritizing transfer and new applicant moves, could enable more “beneficial” transfers which may have been more difficult to prioritise in the past
<p>Enable local authorities to fully discharge a duty to secure accommodation by arranging an offer of suitable accommodation in the private rented sector, without the applicant’s agreement.</p>	<ul style="list-style-type: none"> ▪ Possible this will lead to less stable housing solutions for the applicant, with changes to the local housing allowance its possible homeless households may have to leave at the end of 2 years and simply re-apply as homeless. This sounds simple but involves a lot of trauma to the applicant, and the cost of temporary housing for the LA, while suitable accommodation is being secured ▪ Also assumes a ready supply of private rented at suitable rent levels and acceptable quality, which may not be forthcoming if prices are high and there is a lot of competition for rented homes in an area. Landlords may simply not let to these households if they have the choice.
<p>Replace the existing housing revenue account (HRA) subsidy system for stock-owning local authorities with a new self-financing arrangement.</p>	<ul style="list-style-type: none"> ▪ Will affect Cambridge and SCDC (as stock owners) in our area. ▪ Await detail of how this will affect stock-owners once more detail available.

APPENDIX 2: ABOUT HOMETRACK AND CHOICE BASED LETTINGS

- Home-Link is the choice based lettings scheme for Council and Housing Association properties in the Cambridge sub-region, giving you more choice about where you want to live.
- Every fortnight available Council and Housing Association properties are advertised on this website and in the Home-Link magazine. You can look at the adverts and decide whether you want to be considered for any of the properties. To do this you will have to bid for an advertised property that you are eligible for. You may bid for three properties per fortnight. A summary of who can bid for properties and how to bid for them can be found in the Home-Link User Guide.
- You can see how properties in previous bidding cycles were let by looking at feedback of previous lets on this website or in the Home-Link magazine. You can see the band of the successful bidder and how long they have waited to be housed.
- You can use Home-Link if you are an existing tenant seeking a transfer or a homeseeker already on the housing register or if you are applying for the first time. The scheme covers all the available Council and Housing Association properties, including sheltered housing.
- You can look at the properties that are available in any cycle by clicking on the link to the Home-Link magazine. In order to bid for properties, you must log on with your Home-Link number and date of birth. When you apply for housing, we will write to you with your Home-Link number.³

³ Source: <http://www.home-link.org.uk/scheme20.aspx>

Appendix 3; Further detail on CRHB’s response to “Local Decisions” social housing reform consultation

- **Flexibility of tenure:** Concerns that short term tenancies may conspire against the big society and that the new “flexibility” means neighbours in identical properties will be charged different rents, conflicting with natural justice and equity between residents. Continuing commitment to our choice based lettings system, Home-Link which puts housing decisions in the hands of individuals and families. Concerned about reducing the stability of affordable tenancies, which requires detailed modelling of rents and personal circumstances, which could be perceived as “big government”.
- **Affordable rent:** Concern the new product will flood new housing developments, reducing our ability to build mixed, balanced communities. Our desire to see a balance of tenures based on locally assessed need and demand, which may include the new affordable rent product. Our potential tenancy strategy wants to set out our preference that funding generated in our district or sub-region should be invested in the same. Risk that the new affordable homes will not come within reach of those on the lowest incomes. This housing need does not disappear; it will remain with us in the form of overcrowding, homelessness and hidden homelessness, alongside people working further from their homes, commuting to work at added cost to the household and the environment. Also concern that earning enough to come out of the housing subsidy system will mean a household has to pay significantly more for their home, a possible disincentive to career progression. Concern about the pressure brought to bear on Registered Providers⁴ who are effective partners in both the provision of new Affordable Housing and in the development of communities, by the speed and complexity of the new business plans required to adapt to this new market. Also concern about the effects on rural housing schemes, especially rural exception sites.
- **Allocating social housing:** Concerned that the aim for 100% occupancy does not help build a community with long-lasting social capital – rather it will compel moves from one home to another, and from one area to another, as family size changes. Moves for a young family are particularly disruptive and reduce social and family ties to an area; they disrupt schooling and may well lead to additional overcrowding if families decide to stay in their home rather than move – counter to the government’s aim to tackle overcrowding.
- **Mobility:** Concerned about the suggestion that tenants transferring should be taken out of the choice based lettings system. This leads to a drop in numbers assessed as “in housing need” but leaves us with people whose needs are very real who need to move. This could also reduce the transparency of the CBL system, which at present enables

⁴ The new term for housing associations, registered social landlords and private sector organisations registered with the Homes and Communities Agency to provide new social housing.

each applicant to understand their “band” of need and the reasons why other applicants may have been successful securing a letting.

- **Homelessness:** Aware that availability, quality, price and the nature of partnership built up over time between local authority and private landlords are key to using private rented housing to meet homelessness needs. Supply is a crucial factor and we are concerned that changes to the local housing allowance system will discourage landlords from letting to lower income tenants, or those relying on housing subsidies to meet their housing costs. In an area such as ours, the private rented market has no trouble finding other (higher income) tenants.
- **Overcrowding, underoccupation and empty homes:** Welcome any additional clarity on overcrowding, particularly the standards to be applied to judge overcrowding, and welcome the focus on bringing these homes back into use, though remain unclear how the announcement that authorities must wait 2 years before taking action assists with the government’s aim to bring more empty homes back into use.
- **Cross-over with Local Housing Allowance (and housing benefit) issues:** Concerned that under 35 year olds will struggle with the proposed changes as they will only get subsidy for a room in a shared house. Question how the new affordable rent system will work in harmony with the government’s desire to cut welfare dependency and the personal housing subsidy bill. Aware of the effect on the households who occupy “affordable rent” homes, and the contradiction with the governments’ aim to help people better themselves. If there is a “cliff edge” between housing costs for those on full or partial housing benefit, this will discourage tenants from seeking work; increased wages etc. Worried that the Local Housing Allowance changes will conspire not to reduce private rents as intended, but to discourage private landlords from helping meet housing need. Aware that moving tenants around to increase the overall occupancy rate (i.e. to move underoccupiers to smaller properties) means assuming an adequate supply of smaller homes to meet this housing need.

Appendix 4: Key messages

Local authorities and partner organisations are concerned about:

- Local people will find it more difficult, or even impossible, to move within the local area for employment, to be closer to their family due to increased housing costs. This will undoubtedly have consequences for both employers and the local economy, as well as the impact on individuals and families.
- By increasing housing costs we are stopping people from moving into our area, and contributing to our local economy.
- Affordable Rent will be the only publically funded housing tenure available - which is likely have a significant impact on the balance, mix and sustainability of our new communities.
- The new Affordable Rent product will not be able to meet all of the housing need we have in our local area - meaning that those in need, who simply cannot wait any longer, will experience a painful and costly housing crisis, or indeed be forced to leave the area.
- Government believes that private rent levels will decrease to help meet housing needs, but in our area it is likely that private rent levels will remain high, due to high housing demand and limited supply. This reduces affordability and the possible supply of private rented housing that could be used to meet housing need.
- Local housing allowances will be calculated on relatively large geographic areas, which are too broad to truly represent the differences of rental prices within our area meaning that people will be priced out of some markets. This is a specific concern for Cambridge where rental prices are particularly high.
- By specifying the precise size of home a social tenant can live in if they claim housing benefit will undoubtedly increase churn and disruption as residents have to move home, or even area, to afford the house they need - which will affect community stability and social cohesion.
- Trying to attract and retain the best staff is even more difficult for employers when potential employees are finding it hard to find suitable, affordable accommodation. Private rented housing is available, but there is a lot of competition for it, meaning that landlords can charge high rents and still keep their homes fully let.
- We believe that the new housing system needs to be more flexible, with additional support available for areas where the average rent to average salary ratio is particularly imbalanced.
- We want to ensure that our housing markets can support growth and provide the best possible platform for the globally competitive firms to thrive. The UK needs areas like ours - net contributors to the Exchequer, with high growth potential to deliver private sector jobs growth to offset job losses that will result from the comprehensive spending review, but to do this we need to be able to provide affordable housing in the right places.

Appendix 5: Letter to Grant Shapps