

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



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April 2000

Department of the Environment, Transport and the Regions
Department of Social Security

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FOREWORD

by the Deputy Prime Minister

As we enter the 21st century, we are enjoying unprecedented levels of prosperity. In a prosperous country it is right that we should strive towards giving everyone the opportunity of a decent home. That is the Government's objective.



But many have bad experiences with their housing. Too many are in poor accommodation. Years of underinvestment in social housing have left a £19 billion repair backlog. Too many face real difficulty in finding a decent and affordable home. Too many have no choice and control over where they live. Choice in social housing is distorted when rents differ for no good reason. Some people remain homeless. Many of those who wish to own their home have problems getting onto the housing ladder. And those trying to buy and sell properties face a stressful time.

This Green Paper is the first comprehensive review of housing for 23 years. It proposes modernisation and reform across the whole range of issues, including the housing benefit system for which Alistair Darling is responsible but which is our common concern.

Above all it is a Green Paper about quality and choice.

We have made a start by devoting an additional £5 billion in the lifetime of this Parliament to raising the quality of social housing. But more needs to be done. We seek improvements in the quality of housing services, whether they are provided by lenders, builders, insurers or landlords.

We want to provide more choice too. Many can choose their homes. But too many cannot. In some areas the problem is shortage. In the social rented sector there is too little flexibility. And many who would like to own are unable to do so. As we enter this new millennium it is right that our policies should work towards giving people the choice they expect in other avenues of life.

This Green Paper is a major step towards meeting the challenges we face. I look forward to the debate that our proposals will stimulate.

A handwritten signature in black ink, which appears to read 'John Prescott'.

John Prescott
Deputy Prime Minister

Summary and key proposals

Our aim is to offer everyone the opportunity of a decent home and so promote social cohesion, well-being and self-dependence. This Green Paper sets out our strategy for housing, covering housing policies and links with our broader social agenda in England and Housing Benefit in Great Britain.

Across all types of housing, owned or rented, private or public, our policies are intended to deliver improvements in quality and a fairer market that allow people to make real choices about their homes, that support people moving into work and self-dependence, and that protect the vulnerable.

Housing in the year 2000

Most people in Britain today are well housed. The majority own their own homes, but many rent from local authorities, housing associations or private landlords. Nevertheless, people do have concerns about the cost of housing, for example, or about the aggravation involved in moving house, the terms of their tenancies, or the service they receive from their landlord.

Since the mid-nineteenth century, a succession of Government initiatives has promoted improvements in the amenity and condition of housing. Although housing in England is generally old – nearly half is more than 50 years old, and a quarter dates from before the First World War – less than 1% lacks any of the basic amenities of a kitchen sink, a bath or shower in a bathroom, a wash hand basin, hot and cold water to each of these and an indoor toilet. Nearly 90% of homes are now centrally heated.

Although homeownership is the most popular form of housing in England, the housing choices that people make vary throughout their lives depending on their circumstances. When establishing a home for the first time, young people might choose to rent for a while, possibly with the intention of buying later. A homeowner in one area might choose to rent in another area temporarily if he or she moves with work. Some people prefer to rent permanently. In later life, people might move to sheltered accommodation, rented or owned.

Local authorities and registered social landlords provide housing at affordable rents. There are a number of Government schemes that assist low-cost homeownership. Support for individuals and families who need help to meet their housing costs is available in the form of Housing Benefit and benefit help with mortgage interest payments. Together with the Government's economic policies, its regulatory responsibilities, and public and private investment in housing, these policies help to ensure that everyone has the opportunity of a decent home.

The benefits that this brings are clear. People who are decently housed have a stronger sense of security and place. Decent housing strengthens communities and provides a better setting in which to raise families. It improves health and educational achievement and provides a long-term asset that can be passed on to future generations.

Yet despite the improvements that have been achieved in the last 150 years, a sizeable minority of people face severe problems with housing:

- Too many live in poor-quality housing or find that their landlord, private or public, does not provide a proper service. It would cost about £19 billion just to bring the worst council housing up to a decent modern standard.
- Many live on estates which have been left to deteriorate for too long, and which contribute to ill health, crime and poverty.
- Many families and individuals, including elderly and vulnerable people, live in housing that is not energy efficient and in which it is difficult to keep warm.
- Most public-sector tenants have been denied choice, offered housing on a take-it-or-leave-it basis and charged rents that are not comparable for comparable homes. The most disadvantaged have often been concentrated in the poorest housing.
- Some homeowners, including many retired people, cannot afford to maintain their own homes.
- Others who have bought cannot afford mortgage payments, for example after losing a job.
- Some people are homeless, or even sleeping rough.

The impact of these problems is as clear as the benefits of decent housing. There are strong associations between poor housing and poverty, deprivation, crime, educational under-achievement and ill health. People are discriminated against in looking for work or using services because of where they live. Whole neighbourhoods suffer from neglect.

The housing market has structural problems too. Few people find the experience of buying and selling a house a pleasant or confidence-inspiring one, however happy they might be once they have moved. In some parts of the country, both in cities and in the countryside, rising house prices mean that people on modest incomes find it harder and harder to find somewhere they can afford to buy or even to rent. But in other areas, perfectly good housing stands empty because there is no demand for it. The cost of building and renovating housing is often higher than it needs to be, while many people are put off undertaking essential repairs because they are worried about falling into the hands of “cowboy” builders.

Housing Benefit, while helping people to meet their housing costs, is complex and administered inconsistently, costing the public around £840 million each year in fraud and error and creating disincentives to work for many tenants.

We face three main challenges:

- First, to improve the conditions and opportunities of the minority who face severe problems, such as poor conditions in both public and private housing.
- Second, to tackle the more general problems faced by most people at some point in their lives, such as the difficulties that can be encountered in selling and buying a home.

- Third, to do this without undermining the successful features of the current system, which delivers decent housing to the majority of people.

What have we achieved?

We have already taken action.

We are tackling under-investment and raising the quality of housing and housing management by:

- introducing the Capital Receipts Initiative and increasing investment in housing so that nearly £5 billion extra is being made available between 1997 and 2002, helping to renovate poor condition housing, particularly council housing;
- announcing a pathfinder programme under the Private Finance Initiative, drawing in private investment to improve local authority housing;
- taking forward the recommendations of the Construction Task Force report to improve the performance of the industry, which will lead to better quality homes and reduced costs;
- tackling cowboy builders and increasing confidence in the industry amongst consumers by developing a Quality Mark scheme;
- announcing proposals for a compulsory licensing scheme to protect tenants in houses in multiple occupation, in which the worst health and safety conditions are often found;
- introducing Best Value and other reforms to improve the housing services of councils and registered social landlords and the effectiveness of their investment in housing;
- introducing Tenant Participation Compacts to give council tenants a real say in the management of their homes.

We are tackling problems in the housing market by:

- developing and piloting proposals to improve the home buying and selling process in order to tackle gazumping and other problems;
- announcing proposals for a comprehensive package of leasehold reforms to give leaseholders the same degree of security and control over their homes that other homeowners expect, and for a new tenure, commonhold, to provide a better ownership structure for blocks of flats;
- working with lenders and insurers to ensure that more flexible mortgages and related products are available, providing stronger protection for homebuyers;
- announcing our proposals for regulating the mortgage market to deliver fairness for consumers.

We are improving the services and protection available to vulnerable people by:

- introducing an expanded Home Energy Efficiency Scheme, providing a wider range of insulation and heating improvements, targeted on the elderly, families on low incomes, the disabled and chronically sick, and linked with a new initiative to provide a package of home security measures;
- extending Part M of the Building Regulations to make all new housing more accessible to disabled people;
- introducing a new policy “Supporting People” to provide more effectively the support services which vulnerable people such as the elderly and disabled need to remain independent within the community;
- improving the transition into work for Housing Benefit recipients by reforming the Extended Payment scheme;
- improving the administration of Housing Benefit through better information-sharing between the Benefits Agency and local authorities and driving up performance by implementing the Best Value regime;
- establishing the Rent Service to improve the efficiency and consistency of rent officer determinations in England, ensuring a more efficient service to customers;
- introducing a range of measures, including inspections and improved verification procedures, to tackle Housing Benefit fraud;
- introducing a more integrated programme to meet the multiple needs of people sleeping rough and, by 2002, to reduce their numbers by two-thirds;
- introducing Anti-Social Behaviour Orders to enable stronger action to be taken against people causing harassment, alarm or distress to others.

Our key proposals

Further action is necessary in a number of areas. This Green Paper examines the problems that confront us (see Chapter 2) and describes in more detail the initiatives we have already taken to meet our aims. The further steps on which the Green Paper seeks your views are:

Promoting a stronger role for local authorities in housing to reflect the variations in circumstances around the country and to enable solutions to be tailored to local conditions (see Chapter 3) including:

- encouraging all authorities to take a strategic view of needs across all housing, public and private sector;
- encouraging authorities to work in partnership with local communities, registered social landlords and other organisations;
- strengthening the strategic role of authorities which have transferred their housing to registered social landlords; and

- ensuring that authorities link housing policies with planning policies and those for the wider social, economic and environmental well-being of the community.

Proposals to support sustainable home ownership (see Chapter 4) including:

- helping key workers and other people on modest incomes to buy their own homes, perhaps on a shared equity basis, under a new Starter Home Initiative in areas where the demand for, and cost of, housing is high;
- helping unemployed homeowners to move into work through improvements to the benefit help provided with payment of mortgage interest, paying extra support for a limited period after a claimant takes up employment;
- enabling local authorities to support the renovation and improvement of private sector housing in a better targeted, more strategic way, through grants and greater use of loans and low-cost maintenance services.

Proposals to raise the standards of reputable private landlords, encourage new investment and tackle problems at the bottom end of the sector (see Chapter 5) including:

- helping well-intentioned landlords to improve their expertise and standards, and strengthening their position in the market place, through voluntary accreditation and lettings schemes and best practice guidance;
- exploring whether tax measures could help to make the sector work better and make investment in rented housing a more attractive proposition;
- tackling specific problems of poor condition and exploitation by the minority of bad landlords, in clearly identified areas of low demand where there is adequate alternative housing, through discretionary powers for local authorities to license privately rented homes (in addition to our licensing proposals for houses in multiple occupation);
- ensuring that unscrupulous landlords do not profit from Housing Benefit while neglecting their responsibilities – for example, by placing conditions on the receipt of Housing Benefit or limiting payment of Housing Benefit direct to landlords, where this would not unduly restrict the choice of properties available to tenants.

New approaches to improve the quality of social housing and housing management (see Chapter 7). We aim for a step change in the quality of the stock and the performance of social landlords and are committed to ensuring that all social housing is of a decent standard within 10 years by:

- supporting the transfer of up to 200,000 homes each year from local authorities to registered social landlords, where proposals are supported by tenants;
- encouraging the creation of new arms-length companies to manage local authority-owned housing, with the best performing authorities which have established such companies given extra scope to borrow where there is a proven record of efficient management and investment and a clear business plan for the stock;

- ensuring the consistent and rigorous application of Best Value and tenant participation compact principles across social housing, including both local authorities and registered social landlords.

Improvements to the delivery of affordable housing, so that it is provided where it is needed and in a form that is sustainable (see Chapter 8) through:

- changes to the allocation of Housing Corporation funding for new social housing so that greater account is taken of local demand and likely future changes in demand;
- applying the Construction Task Force's recommendations and new construction techniques to Housing Corporation-funded developments to improve the quality of social housing construction and reduce costs;
- more emphasis on mixed tenure in new social housing projects to help create sustainable communities;
- the production of best practice guidance on the use of planning powers for affordable housing.

Reforms to lettings policies to give tenants in social housing real choice over the homes they live in (see Chapter 9).

Our aim is to promote lettings policies that offer choice, tackle social exclusion, help create sustainable communities, and encourage the effective use and management of social housing. We will do this by:

- establishing a new fund to pilot customer choice-based lettings systems in different areas of the country;
- promoting the active management of housing choices and targeting advice, advocacy and support at the most vulnerable households and those in the most housing need;
- widening the scope for movement across local authority boundaries, and between local authorities and registered social landlords, so making better use of the national housing stock; and
- allowing flexibility for local lettings policies to deal with particular problem estates and other local priorities.

Proposals to strengthen the protection available to homeless families (see Chapter 9) by:

- extending the statutory safety-net to a wider group of vulnerable homeless people (such as care leavers and others with an institutionalised background, the victims of domestic violence and 16 and 17 year-olds);
- requiring or giving flexibility to authorities to help non-priority homeless people, such as childless couples and single homeless people, in areas where sufficient housing is available;
- giving homeless people some choice of settled accommodation in line with a more customer focused lettings system;

- giving local authorities greater flexibility and responsibility to ensure sustainable solutions for homeless people and to make better use of their own stock; and
- extending authorities' duty to provide advice and support, and requiring them to take a multi-agency strategic approach to preventing and responding to homelessness.

Proposals to review tenure arrangements for social housing (see Chapter 9) to retain security for long term social tenants and consider:

- options for unifying the secure and assured tenure regimes, and
- options for new flexibilities to enable local authorities and registered social landlords to make better use of their stock, especially in areas of low demand.

Proposals to maintain rents in the social housing sector at affordable, sub-market levels (see Chapter 10), with:

- average rents held at around their present level (currently some 30% to 40% below market rents); but with
- some rents increasing to reflect improvements in quality as a result of extra investment; and
- some rents changing to remove unjustifiable differences between rents charged for homes owned by registered social landlords and local authorities.

Options for restructuring rents in the social housing sector to put rents on a fairer, affordable basis (see Chapter 10).

We believe social sector rents, while remaining affordable, need to be restructured so that tenants see they are fair. They should reflect more closely the size, quality and location of homes, taking account of property values so that tenants would pay a comparable rent for a comparable home. But property values should not be the only consideration and rent calculations could take account of other factors, which might include regional earnings or running costs. We set out a number of options for achieving these aims, on which we welcome views. In taking forward any restructuring options, we propose that:

- restructuring should be phased over 10 years or so, to help minimise disruption and hardship for tenants and landlords;
- any changes in rents (up or down) should be limited to no more than £2 per week in any year as a result of rent restructuring;
- particular attention should be paid to the possible impact on vulnerable groups, such as pensioners; and
- changes should complement a choice-based approach to lettings policies and prepare the way for possible long term changes to Housing Benefit.

Proposals to develop Housing Benefit measures (see Chapter 11) to improve customer service, tackle fraud and error, and improve incentives to work, including considering options to:

- develop a single claims process for benefits which would reduce duplication and shorten processing times;
- improve information sharing between DSS and local authorities;
- reduce the complexity of the Housing Benefit rules, for example by fixing benefit awards for a set period;
- develop a new funding regime based on performance against targets in individual local authorities to cut fraud and error;
- set up a single national fraud hotline service;
- increase the incentive to work by targeting earnings disregards on key areas or groups of people;
- broaden the definition of the Single Room Rent to ensure that single young people have a secure foundation from which to find work.

The Green Paper also invites debate on options for longer term, more fundamental reform of Housing Benefit. Such reforms might be possible when our wider proposals to improve the supply and quality of rented housing, give tenants greater choice over where they live and put social sector rents on a fairer and more consistent basis have been successfully implemented.

CHAPTER 1

A Housing Strategy for the 21st Century

- 1.1 Housing is a basic requirement for everyone. Our homes influence our well-being, our sense of worth, and our ties to our families, communities and work. If we live in decent housing we are more likely to benefit from good health, higher educational attainment and better-paid work.
- 1.2 Around 50 million people live in nearly 21 million homes in England today and the number of households looks set to grow further in the coming decades. Most people are well housed. But too many are not. Where people are homeless or trapped in bad housing, or where social cohesion, opportunity and choice are restricted, people are deprived of the quality of life they deserve. Housing policy is failing in these circumstances.
- 1.3 This Green Paper sets out our vision for housing in the new Millennium. It considers housing policy in England, and Housing Benefit for Great Britain as a whole. Housing policy in Scotland and Wales is a matter for the devolved administrations.
- 1.4 Our policies for housing are integral to our wider, radical agenda to promote social justice, better health, higher educational attainment and work for those who can. They are also a major element in our programmes to tackle poverty, social exclusion and crime. We already have a wide range of initiatives under way to improve housing, backed up by an extra £5 billion investment over the life of the current Parliament. We recognise, however, that much more needs to be done. There are some difficult long-term issues that we face.

Our aims and principles

- 1.5 Our aim is to offer everyone the opportunity of a decent home and so promote social cohesion, well-being and self-dependence. This aim, and the reforms that we are pursuing, are under-pinned by eight key principles.

The Government's key principles for housing policy are:

- Offering everyone opportunity, choice and a stake in their home, whether rented or owned.
- Ensuring an adequate supply of decent housing to meet needs.
- Giving responsibility to individuals to provide for their own homes where they can, providing help for those who cannot.
- Improving the quality and design of the housing stock, new housing and residential environments, helping to achieve an urban renaissance and protecting the countryside.
- Delivering modern, efficient, secure, customer-focused public services and empowering individuals to influence them.
- Reducing barriers to work, particularly in relation to benefit and rent policy.
- Supporting vulnerable people and tackling all forms of social exclusion, including bad housing, homelessness, poverty, crime and poor health.
- Promoting sustainable development that supports thriving, balanced communities and a high quality of life in urban and rural areas.

Our vision for the 21st century

- 1.6 Most people want to own their own homes at some stage in their lives. **Our policies support sustainable homeownership** – that is, where the owner can meet the long term cost of buying and maintaining a home. Currently, 69% of all households are owner-occupiers. We believe that, working with the lending and house building industries, local authorities and registered social landlords, we can help more families realise their dream of becoming and remaining homeowners and ensure a continuous improvement in the quality of their homes.
- 1.7 Others will not become homeowners. They might prefer not to own a home. Or they might not be in a position to afford to do so. For many, especially the young and the highly mobile, housing rented from private landlords should provide the best solution, as it does in many other European countries. However, this part of the housing market has the worst reputation for poor quality and exploitation of tenants, especially at the cheaper end of the market.
- 1.8 We want to see a dynamic and growing private rented sector and are committed to bringing about real improvements in safety, quality and management. Our aim is to deliver these improvements without imposing excessive regulation, which can stifle growth to the detriment of tenants and responsible landlords. But we stand prepared to take whatever action proves necessary to stamp out the worst practices and **promote a healthy private rented sector, offering choice and flexibility.**
- 1.9 Many families and individuals need help with the cost of housing. We will **ensure the provision of a wide range of good quality, well managed, affordable social housing** to help meet their needs. Much of the existing social stock, owned by local authorities and housing associations, does not meet the standards that people have a right to expect. Past policies have starved social housing of investment and created ghettos of deprivation and social exclusion.

1.10 Our vision for social housing in the 21st Century is of homes that support balanced, thriving communities and a high quality of life for all in urban and rural areas. We want homes that are better mixed with other tenures, with no marked differences in appearance or quality between social and private housing. We want provision that is wide-ranging and customer-focused, and where tenants have real choice and control over their housing. The reforms we have already set in train and the further modernisation we propose in this Green Paper for social housing will deliver:

- a step change in the quality of the stock, with all social housing reaching a decent standard within ten years;
- a real improvement in the management and financing of social housing, with local authorities and registered social landlords, in line with Best Value, delivering efficient, high quality housing services that are responsive to the needs of tenants and other service users;
- a progressive shift in ownership so that the stock is more widely owned by a range of different organisations, including housing associations, local housing companies and tenant-led organisations, with tenants benefiting from a greater choice of housing providers and local authorities focusing more on their strategic housing responsibilities;
- a more coherent and equitable system of rents for housing let by local authorities and registered social landlords, which are set at affordable levels and which have clearer links to the size, location and quality of homes;
- greater empowerment of tenants, to enable them to exercise choice and take more responsibility for their housing where they wish to do so; and
- better integration of social housing with housing for sale or rent in the private sector.

1.11 Support for those who cannot afford to pay their rent is provided through Housing Benefit. While this offers a valuable, well-targeted means of support, it suffers from a number of defects. Reform of Housing Benefit is not easy. We set out in this Green Paper some of the options and their consequences. Our proposals are to proceed quickly with a package of **reforms to improve and simplify the delivery of Housing Benefit**. Many of our proposals take forward the recommendations of the Housing Benefit Simplification and Improvement Project, on which central and local government worked in partnership. Taken together, the package of improvements will go some way to tackle the problems with the existing scheme for tenants and landlords.



1.12 In the longer term, more fundamental changes might be desirable. This Green Paper discusses some of the approaches that might be considered, many of which operate in other countries. However, we do not envisage major structural changes to Housing Benefit in the short term, not least because major changes could not be made in isolation from reforms to move towards a more coherent pattern of rents in social housing. We would like a full debate on all of the options for reform of Housing Benefit and their implications before reaching decisions on the longer term future of the scheme.

Delivering our Strategy

- 1.13 Across all of our proposals, a very important factor is the variation in housing markets around the country. There have always been areas of extremely heavy pressure on the housing stock and others where pressure has been less acute. The variations are increasing, often within the same region. In many areas, the price of private housing is rising fast, and the availability of affordable housing is declining as demand exceeds supply. In others, low demand has become a real concern across both social and private housing. The causes of low demand vary greatly between areas but include high levels of crime, poor quality housing, local economic decline, demographic changes and a mis-match between housing supply and demand.
- 1.14 We recognise that, to be effective, improvements to housing in the most deprived areas must take place alongside progress on other key regeneration issues, such as the growth of jobs or increases in personal security. National policy can set the overall framework but solutions have to be tailored to regional and local circumstances.
- 1.15 Local authorities, whilst in many cases shedding their responsibility for day-to-day management of social housing, remain central to the delivery of housing policy. As strategic housing bodies, local authorities must consider the housing needs of everyone in their area. They must consider the needs of people living in different tenures, including homeowners and those renting privately, as well as those in social housing. They must also consider the needs of particular areas or communities, such as rural villages or urban housing estates, how people's needs might change, and what new needs – including new households – are likely to arise.
- 1.16 As part of the process of allocating public resources for investment in housing, local authorities are required to produce local housing strategies, identifying the needs of their



Photo: Phil Sayer

communities and the priorities for action. Local authorities also feed their assessments of needs and priorities into wider regional housing statements and planning guidance. It is becoming increasingly important for local authorities to work together to identify and address problems across wider housing market areas that extend beyond their boundaries. Authorities must also ensure that proper links are made between housing and other strategies, such as regeneration, planning and employment.

1.17 Just as this responsibility rests with local authorities, as central Government we too must make the right links between the policies of different departments across Whitehall. Our housing policies must be integrated with our broad social agenda, complementing especially our policies for promoting urban and rural regeneration and for tackling all forms of social exclusion. The proposals in this Green Paper take forward recommendations from several of the Policy Action Teams set up last year by the Social Exclusion Unit to develop a new national neighbourhood renewal strategy. The Green Paper should be considered alongside the Social Exclusion Unit's Neighbourhood Renewal Strategy, a consultation framework of which is being published in parallel to this document. It will also complement our Urban and Rural White Papers, which will be published later this year.

- 1.18 Central and local government are not the only players in the delivery of decent homes. As individuals, we all have responsibilities towards our homes. The building, maintenance and management of housing involve a wide range of public, voluntary and private bodies too. Local strategies should be developed and implemented in partnership with all the bodies and individuals who have an interest in housing.
- 1.19 Landlords are in a position of immense importance and responsibility. Whether they are in the private or social rented sectors, landlords are a key influence on the condition of housing, on access to decent homes and services, and on the ability of tenants to make real choices and influence decisions that affect their homes.
- 1.20 With registered social landlords becoming increasingly significant providers of social housing, partnerships between them and local authorities take on an increasing importance. There is a major challenge ahead for all social landlords, be they local authorities or registered social landlords, to improve the services they deliver to their tenants (including those from diverse ethnic communities) and to ensure that they involve tenants in decisions that affect their homes and neighbourhoods. Where there are many registered social landlords in one area, they will need to work closely with the local authority to ensure that strategic objectives are realised.
- 1.21 Best Value will be a crucial driver of improvements in housing. It needs to embrace housing in the widest sense – housing management, the strategic role that local authorities must play for all types of housing, and the importance of decent housing in meeting wider social, economic and environmental objectives.
- 1.22 The importance that we attach to Best Value is underlined by our “Best Value in Housing Framework” publication. Best Value Reviews will be the principal means by which authorities should consider new approaches to service delivery and set demanding performance targets. Housing Best Value Reviews will feed into and inform authorities’ housing strategies, local performance indicators and targets, and changes in service delivery. Reviews will also need to consider the potential links between an authority and registered social landlords operating in the area, who will themselves be working to an equally demanding Best Value regime.
- 1.23 The Housing Corporation and Housing Inspectorate will play key roles in making sure that social landlords meet these higher expectations.
- 1.24 Whether as homeowners, tenants, landlords, house builders, community groups, businesses or government, we all have obligations to our families, friends, neighbours, and future generations to ensure that our housing is kept in good order and to make choices that contribute to the environmental, economic and social progress of our nation.

CHAPTER 2

The challenges we face

- 2.1 Most people are well-housed. In surveys, more than 90% say they are satisfied or very satisfied with their housing. Nevertheless, we face significant challenges in meeting our aim to offer everyone the opportunity of a decent home, promoting social cohesion, well-being and self-dependence. This Chapter sets out the range of problems which we aim to overcome with the policies and proposals in this Green Paper.

Some problems with homeownership

- 2.2 Homebuyers and sellers can experience frustration and stress as a result of gazumping, misleading or unclear advice, and other unfair activity. The ability of households to achieve sustainable homeownership may be hampered by mortgage and insurance products that are not responsive to people's changing needs and circumstances in today's labour market.
- 2.3 Although homeownership is relatively affordable at the moment, prices vary greatly between different areas. High prices in certain areas can exclude from ownership some households who would otherwise be able to sustain their own homes. Such barriers can affect key workers such as nurses and teachers and impact on the longer term sustainability of communities in cities and other areas where house prices are high relative to earnings. This includes rural areas where high house prices can drive out local families and undermine the maintenance of a living, working countryside.
- 2.4 Our system of leasehold tenure is fundamentally flawed. It has its roots in the feudal system and gives disproportionate powers and privileges to landowners, while denying leaseholders the rights and responsibilities that other homeowners expect.

Poor condition housing

- 2.5 Housing condition and amenity has improved greatly over the years. Despite this, today nearly 3 million households live in poor housing, which has either failed the housing fitness standard, is in major disrepair or needs essential modernisation work. Housing may be defined as poor in these terms for a wide range of reasons, including unsatisfactory food preparation areas, inadequate heating, dampness, and major structural problems such as roofs or windows that need replacement. Poor housing exists across all tenures.
- 2.6 Vulnerable and disadvantaged households such as the unemployed, lone parents and some ethnic minority groups are more likely to live in poor housing. They are also more likely to live in run-down areas where there are concentrations of housing that is in substantial disrepair, empty or derelict, and where there are other forms of neglect or misuse.

2.7 Because of the high level of homeownership in Britain, most poor housing is in the owner-occupied sector. It is often owned by people on limited incomes or without access to the necessary resources to tackle essential repairs and maintenance work. However, the highest *proportions* of poor housing exist in the private rented sector and in local authority housing.



2.8 In the private rented sector, poor condition tends to be most prevalent at the cheaper end of the market, often in shared housing and housing let to tenants who claim Housing Benefit. There has also been an historic pattern of underinvestment, with major financial institutions traditionally reluctant to invest in privately rented housing, limiting the choice, opportunity and mobility that the sector can provide for households.

2.9 In local authority housing, a £10 billion backlog of overdue renovation work had built up by 1996 as a result of past under-investment. In addition to this backlog, several billion pounds of investment are necessary to modernise and improve local authority housing to a decent standard, fit for the new Millennium. Often, the greatest need for investment is in large social housing estates, many of which were built to poor standards of design and construction.

2.10 Poor condition housing and wider deprivation are often concentrated together on such large housing estates. New investment in the stock alone is not sufficient to achieve the necessary transformation. Remedial policies must be integrated with regeneration programmes such as the New Deal for Communities and the Single Regeneration Budget, to find solutions to the wider social problems facing such estates. In addition to creating new education, training and employment opportunities and tackling crime, tenure diversification (providing private housing alongside social housing, for example) may also be a necessary feature of regeneration strategies.



Demand for housing

2.11 Demand for new housing continues to grow: household projections indicate that somewhere close to 3.8 million households may form in England between 1996 and 2021, equivalent to around 150,000 new households each year. This places additional pressure on land and on natural resources such as water and the materials used to construct new homes.

2.12 Patterns of supply and demand vary greatly at regional and local levels and over time. This makes it difficult to match housing provision to needs. The picture is further complicated by low demand for certain types of housing in certain places, in both the social and private sectors. Indeed, it is a paradox of housing that some 770,000 homes are empty at a time when demand is exceeding available supply in some parts of the country.

2.13 Our policies on the location of new housing and on the need for more sustainable patterns of development are set out in “Planning Policy Guidance note 3: Housing” and will be covered in our Urban and Rural White Papers. They are addressing the need for better use of existing buildings, re-use of previously developed land and improvements in design and

quality of housing and residential environments. The Urban White Paper will also take forward a number of the recommendations of the Urban Task Force, chaired by Lord Rogers of Riverside. These policies are not, therefore, covered in detail in this Green Paper but form an essential part of our overall strategy for housing.

Problems with the supply and management of social housing

- 2.14 Some of the greatest challenges facing housing policy lie around the long term future of social housing. People's changing attitudes and aspirations, combined with the policies of the last administration, have led to a residualisation of much of the social housing sector. Increasingly, it has become the reserve of the poor and vulnerable. Reductions in the total stock of social housing and a serious decline in quality have affected local authorities' abilities to match people's needs – including the needs of the 100,000 or so families who are accepted each year as unintentionally homeless – with available housing. This has led to inefficient use of stock and a lack of choice for tenants.
- 2.15 A reduction in local authorities' flexibility in allocating housing acts against the interests of tenants. In some areas, these failings of policy have been exacerbated by a lack of tenant involvement in the management of their housing and by poor standards of management and other housing services. Tenants who are given no say in the day to day decisions affecting their homes and their lives are being denied the responsibility and opportunity that most homeowners take for granted. They are also being let down in areas where public services fall short.
- 2.16 The lack of choice for tenants over the housing that is allocated to them is compounded by an inconsistent system of rents. Tenants in one area may be charged a similar rent for a small, run-down property on an unpopular estate to that for a larger family home in a more desirable location. At the same time, tenants in neighbouring authorities might pay significantly different rents for very similar properties, while some tenants of registered social landlords can face much higher rents than local authority tenants and even other housing association tenants.
- 2.17 This creates a system where tenants can feel that they are being treated unfairly and where neither tenants or landlords see any logical link between the rent and the relative value of their properties. It takes personal responsibility away from tenants and reduces incentives for proper investment in the housing stock.

Housing Benefit

- 2.18 The current system of Housing Benefit can also work against the interests of tenants. While Housing Benefit provides essential support for people on low incomes, the system was designed in the context of a different set of housing policies and objectives.

- 2.19 Delivery of Housing Benefit is confusing and time-consuming. The rules are complex and the performance of local authorities in administering the scheme is inconsistent. Housing Benefit fraud and error cost some £840 million each year. Housing Benefit can act as a disincentive to work. It can be exploited by landlords and takes responsibility away from tenants – provided the rent meets local limits, it can be reimbursed in full, often directly to the landlord.

Other housing-related manifestations of social exclusion

- 2.20 The problems described so far contribute to the social exclusion of many families in this country. There are other housing-related manifestations of social exclusion.
- 2.21 Nearly 2,000 people sleep rough on any night, with the greatest concentrations in central London. The causes of rough sleeping are complex and go beyond the availability of housing. Factors, such as unemployment, relationship breakdown, mental ill health, alcohol or drug addiction can all play a part. We know that a high proportion of rough sleepers have a background in institutions, for example as a child in care, or having spent a significant period in hospital or prison, or in the armed forces.
- 2.22 Many thousands of households include members who are vulnerable, such as frail elderly people, people with mental ill health, people with drink or drug addictions, and victims of domestic violence, who need support to remain independent within the community. Yet no one has responsibility for assessing the adequacy of the support available for vulnerable people, and funding for such support is complicated, unco-ordinated and overlapping.
- 2.23 Britain does not have the severest winters in Europe. But it has one of the worst records of winter deaths of elderly people. An average of 40,000 more people die each winter than would be expected. More than 4 million households suffer “fuel poverty”, having to pay more than 10% of their income on fuel just to keep warm. Many of these households contain people who are vulnerable because they are very young or very old, disabled or sick. Our houses, on the whole, are not well insulated and heated.
- 2.24 Crime and the fear of crime can add to feelings of social exclusion. Less than a third of all housing has fully secure windows and doors. Tenants in the local authority and private rented sectors, households of Pakistani or Bangladeshi origin, the unemployed and single parents are least likely to live in secure homes.
- 2.25 Anti-social behaviour, including racial harassment, where it is not tackled quickly or effectively, can also contribute to feelings of social exclusion and the decline of whole neighbourhoods.

Links between housing and other factors

- 2.26 We have shown above that house conditions link in with many other factors which affect our quality of life, such as health and crime. Families rarely suffer from one such problem in isolation. In tackling housing problems, it is usually necessary to deal simultaneously with a range of other issues. The importance of this holistic approach to regeneration is now widely recognised but is no less important for that.

CHAPTER 3

Making it work locally

- 3.1 Central Government can set the framework for housing policies. But the delivery of those policies must be tailored to a variety of local circumstances. Making housing policies work locally depends on the actions of all of us, as tenants, homeowners, landlords, or members of private, public and voluntary bodies. But local authorities have a pivotal role.

A stronger strategic role for local authorities

- 3.2 As we make clear in Chapter 7, we strongly favour the separation of authorities' strategic and landlord responsibilities for housing. This will strengthen both roles. The strategic role of local authorities is assuming ever greater importance across all policies and is central to the proposals in this Green Paper.



3.3 This separation of roles allows authorities to address in the round the housing needs of their wider communities, including tenants of private sector and registered social landlords, homeowners, homeless people and those seeking to establish new households. Those responsible for day-to-day management of housing can concentrate on delivering a high quality service. This goes to the heart of Best Value.

3.4 It is now almost a cliché, but no less true for that, that housing cannot be considered in isolation. The quality of our housing affects the health and well-being of us all. Conversely, fear of crime, lack of jobs, or a despoiled environment reduce significantly the quality of life no matter how good the housing. All of these elements have to be tackled together.

- 3.5 We want to see local authorities, in consultation with their partners, ensuring effective co-ordination of their different activities. When local authorities act to improve housing, this contributes to wider strategies, including community strategies and those for improving education and employment opportunities; for improving health; for tackling crime; for tackling all forms of social exclusion and regenerating deprived neighbourhoods. Similarly, action in other spheres affects housing objectives. The aim must be to create positive, complementary outcomes across the span of objectives.
- 3.6 The main strands of an authority's strategic role for housing are:
- assessing the needs of local communities, balancing those needs with national priorities, and producing a clear strategy for tackling problems across all types of housing in the area, based on wide consultation;
 - identifying, co-ordinating and facilitating all the resources and agencies that can contribute to the delivery of the strategy;

- co-ordinating and planning for the provision and development of additional housing, both in the private and social sectors, helping to create sustainable communities;
- acting as a housing service provider (including the administration of lettings schemes and Housing Benefit) and commissioning housing and services from other agencies as appropriate;
- linking housing with wider policies for the social, economic and environmental well-being of the area, including the regeneration of deprived neighbourhoods;
- operating and facilitating local partnership schemes to encourage best practice amongst providers of housing and housing services;
- enforcing and raising standards;
- consulting and empowering the local community;
- providing and commissioning advice and assistance, for example to help homeless people to find suitable housing;
- taking action to tackle anti-social behaviour, including racial harassment, across all tenures;
- working with neighbouring authorities and other agencies to meet housing need and tackle housing problems across wider areas in the region;
- monitoring and evaluating the success of the strategy and revising it where necessary.

Assessing local needs

- 3.7 In order to ensure that an area's needs for housing across all sectors are being addressed, it is essential that authorities conduct robust, regular assessments of the current and future demands for housing in the area and collect information about the type and condition of the existing housing stock. Assessments should take account of the needs of distinct communities, such as rural villages, that exist within wider districts. These assessments provide information that underpins the area's housing strategy.
- 3.8 The information necessary for such assessments can come from a mixture of administrative systems and surveys. Authorities need to ensure that the necessary information is available, updated as necessary and accessible to others with an interest (direct or indirect) in the provision of housing services.
- 3.9 We have commissioned research into the current approaches used by local authorities (planning and housing departments) in assessing the housing needs of their areas. We will be publishing best practice guidance later in the year. We will also be publishing up-dated guidance on stock surveys, covering more effective use of such surveys in conjunction with other key sources of information on housing.

Developing policies for housing

3.10 Having identified the housing needs of their areas, authorities must consider whether the existing privately owned or rented housing stock is sufficient, both in terms of quantity and quality, to meet those needs. Where it is not, they must promote policies – backed up where appropriate by public funding – to improve the condition of the stock, make better use of empty homes and under-used buildings, and provide new housing to high standards of design and construction.

3.11 Authorities need to ensure that there is sufficient land or buildings available to meet local housing requirements. In doing so, they should take account of our target that, by 2008, 60% of additional housing should be provided on previously developed land or through conversions, as set out in “Planning Policy Guidance note 3: Housing”, which we published in March 2000.



3.12 Maximum use should be made of existing buildings. We have been working with the Empty Homes Agency to encourage the development of empty homes strategies. Some 200 authorities now have them in place. The extra investment we are making available will also help to bring back into use homes that have been lying empty as a result of disrepair.

3.13A good strategy must cover all housing in the area, including action to renovate private sector homes and the declaration of renewal areas. In addition to establishing the framework for the use of grants for private sector renewal, the strategy needs to cover a range of other measures to bring about improvements in the private sector stock.

3.14 This is particularly relevant in relation to fuel poverty and energy efficiency, discussed in Chapter 12, and to stock owned by the poorest families. Special measures may also be required where a concentration of low quality private stock threatens the well-being of the wider neighbourhood, as discussed in Chapter 4. The strategy is likely to involve the dissemination of information and advice to households, for example on suitable contractors and the Quality Mark scheme as it is implemented. Assistance may be delivered through other agencies such as Home Improvement Agencies, or contractors providing improvements under the Home Energy Efficiency Scheme.

Working in partnership

3.15 Tenants, residents, housing associations, private sector landlords, housebuilders, voluntary sector agencies, black and minority ethnic community representatives, parish and town councils, planning departments, health authorities, social services and the police are all key partners. They will need to be fully involved in the production of a housing strategy. Authorities should set up consultative structures and be prepared to listen and empower others to play their part in delivering the strategy.

3.16 There is particular merit in local authorities and registered social landlords establishing formal arrangements for exchanging information and working together on local issues and policies, particularly with regard to lettings. Our proposals for reforming lettings policies are set out in Chapter 9. We will be reviewing the current obligation on registered social

landlords to co-operate with local authorities in offering accommodation to people on authorities' housing registers. This will be particularly important in ensuring a strong strategic role for authorities which have transferred their stock to registered social landlords.

- 3.17 There is also merit in local authorities and the Housing Corporation working together in delivering the local investment strategy. As one element of its National Investment Strategy, the Housing Corporation is already building on the success of pilot joint commissioning schemes. These demonstrate the potential benefits of strengthened collaborative working between local authorities and the Corporation. Where the authority is no longer directly responsible for the management of the social housing stock, we would like them to have an increased role in the Corporation's decisions on scheme selection and allocations and in monitoring the performance of registered social landlords in their area. We will be looking to build on the best practice that is already emerging from Joint Commissioning and welcome views on how this aspect might be strengthened for authorities which have transferred their stock.
- 3.18 Housing authorities need to ensure they are represented on other appropriate cross-cutting bodies such as Crime and Disorder Partnerships, Health Improvement Partnerships, and Supporting People Partnerships, and that the housing strategy is integrated with emerging initiatives such as the "Connexions Partnerships" for young people.
- 3.19 Housing markets often cut across local authority boundaries. Authorities must work together to co-ordinate their strategies for tackling problems in these wider areas, particularly in identifying and responding to changes in demand for housing.
- 3.20 The regional planning bodies, responsible for deciding the overall number of new homes for which land should be made available, provide an opportunity for closer co-operation across local authority boundaries. We are also encouraging the development of regional housing statements, drawn up by the Government Offices for the regions in consultation with authorities, the Housing Corporation and others. As these develop, clear links with the work of the Regional Development Agencies will be established, helping the integration of wider policies at the regional level.
- 3.21 Partnerships can help to deliver additional benefits for people living in the area, for example:
- landlord accreditation schemes, letting schemes and rent deposit schemes, to raise standards of quality and management in the private rented sector (as discussed in Chapter 5);
 - better design and construction standards for new housing, in line with the Construction Task Force's recommendations (discussed in Chapter 4);
 - approved builders schemes, for which we are developing the Quality Mark scheme (discussed in Chapter 4);
 - the provision of affordable housing within private developments (as discussed in Chapter 8);
 - integrated housing and support services for people with special health or other needs (as discussed in Chapter 12).

- 3.22 Within authorities, planning and housing departments need to work closely both on the assessment of housing needs and requirements, and on the implementation of policies for housing. This is particularly relevant in:
- monitoring housing provision, problems and trends in the area;
 - linking housing with employment, transport, shops, schools and health services;
 - identifying the scope for making better use of existing buildings and previously developed land to meet housing requirements;
 - assessing and delivering an appropriate amount of new affordable housing, a significant proportion of which becomes available through the operation of planning policies;
 - ensuring that new housing is of high quality and good design, built in a form that meets the requirements of the area in terms of location and density;
 - facilitating the provision of the right type of housing in the right locations through use of land assembly and compulsory purchase powers.
- 3.23 Local authorities are responsible for administering Housing Benefit to help poorer households meet their housing costs. This requires high standards of performance by local authorities in providing help when it is most needed. It also requires close co-operation with registered social landlords and private sector landlords. Our proposals for improving Housing Benefit are set out in Chapter 11.

Identifying resources

- 3.24 Housing strategies should be based on an assessment of the public money likely to be available. This includes Central Government allocations through the Housing Investment Programme, Housing Revenue Account subsidy (including the Major Repairs Allowance) and the Housing Corporation's Approved Development Programme. It also includes authorities' own resources, and the funding brought in from other sources such as partnership arrangements, the Private Finance Initiative and stock transfer. Where housing improvement is part of an overall regeneration strategy, regeneration programmes such as the Single Regeneration Budget and the New Deal for Communities can contribute.

Delivering the Strategy

- 3.25 Authorities have a number of levers to influence delivery of the elements of the housing strategy that they do not directly provide themselves, notably:
- the planning framework (including provisions for affordable housing);
 - authorities' involvement in the selection of specific development projects to be funded through the Housing Corporation's Approved Development Programme;
 - enforcement action that can be taken on unfit properties and anti-social behaviour.

Assessing authorities' performance

- 3.26 Authorities should monitor continuously the effectiveness of the local housing strategy and their own performance in delivering its objectives. The quality of an authority's housing strategy, and their success in delivering it, is also assessed each year as part of the Housing Investment Programme process by which central Government allocates housing capital resources to local authorities. Currently, half of the resources are allocated on the basis of these assessments, with the best performing authorities receiving 20-30% more than they would get under a purely needs-based allocation.
- 3.27 Under Best Value, all local housing authorities will be required to review their housing functions within a five-year cycle from April 2000. Best Value Reviews will be the principal means by which authorities consider new approaches to service delivery and set demanding performance targets for delivering continuous improvement. Housing strategies will need to be informed by and reflect the outcomes of Best Value Reviews. Scrutiny of authorities' housing strategies will also take place as part of the less frequent but more in-depth housing inspections under Best Value, where the inspection process will underpin and inform the annual Housing Investment Programme process.
- 3.28 In Chapter 7, we propose a new option to give a limited number of authorities access to additional resources for investment in their own stock. Access to the extra resources will be dependent on authorities demonstrating a high quality business plan for their stock and excellent performance as assessed through Best Value; and on the establishment of arms-length management companies to ensure separation of the management role from the wider strategic functions described in this Chapter.
- 3.29 The planned introduction of a single pot for all local authority capital investment (on which there has been separate consultation) will encourage a joined up approach to service delivery. It will also lead to a more integrated assessment of authorities' performance in meeting housing needs and addressing cross-cutting issues, such as regeneration, social exclusion and sustainable development, in which housing plays a vital role.

Conclusion

- 3.30 We have increased the resources and discretion available to local authorities in the delivery of housing policies and investment. Our proposals in this Green Paper build on that. We look to authorities to respond to the challenges that face us all in improving the quality of housing and housing services, and ensuring that everyone has the opportunity of a decent home.

CHAPTER 4

Encouraging sustainable homeownership

- 4.1 Homeownership is the most popular choice of housing in England. Over 14 million households (69%) are owner-occupiers and, in surveys, up to 90% of people say that homeownership is their preferred choice. The first half of this Chapter looks at our existing policies and the initiatives we have set in train. The second half discusses new proposals on which we would like your views.

Our policies

- 4.2 We support sustainable homeownership – that is, where owners can afford it in the long term. We do this primarily through our economic policies. But we also provide financial support to:
- help the less well-off, or those who live in areas where house prices are high relative to earnings, to achieve homeownership through shared ownership and low-cost homeownership initiatives;
 - help owners who run into unforeseen difficulties through benefit assistance with payment of mortgage interest; and
 - help poorer owners to meet the costs of repairing, adapting and maintaining their homes through renovation grants, disabled facilities grants and related assistance.
- 4.3 We are working more closely with lenders, insurers and others involved in the home buying process, to ensure that consumers get a fair deal and to strengthen the protection available to them through mortgages and related insurance schemes. In addition, local authorities have an important role to play in improving quality in the private sector.



4.4 The main contribution the Government can make to sustainable homeownership is a robust economy in all parts of the country and a strong system of consumer protection. As a result of our economic policies, homeowners are benefiting from relatively low mortgage interest rates and rising living standards. Households' net financial wealth is at an historic high. This is helping millions of families to realise their dream of homeownership. We are determined to avoid a return to the boom and bust economy of the past, which eroded the security many expected from their homes and created an uncertain climate for one of the most important long-term financial commitments which most people make.

- 4.5 Our policies will continue to help people to achieve their aspirations and we expect an increase over the coming years in the number of people who own their own homes.

Protecting homeowners

- 4.6 Everyone who buys a home has an obligation, before entering such a major financial commitment, to make a realistic appraisal of their capacity to maintain payments over the life of a mortgage and to keep the property in good repair. Of course, in some situations, people's circumstances can change unexpectedly, perhaps as a result of long-term sickness, injury or loss of employment. Government support is available in such cases through benefit help, which covers interest payments on mortgages.
- 4.7 In our Election Manifesto, we said that we would work with lenders and insurers to encourage greater provision of more flexible mortgages and provide stronger protection for homebuyers. We believe homeowners should consider taking up private schemes to protect themselves against events such as unemployment or sickness. But we recognise that there have been concerns about the quality and value of Mortgage Payment Protection Insurance (MPPI) offered by lenders and insurers in the past.
- 4.8 We are working in partnership with lenders and insurers to improve the quality and value of MPPI products and the industry took a welcome initiative during 1999, developing a higher quality baseline product that is now available in the High Street. The industry is aiming to achieve take up of MPPI by 55% of new homebuyers by 2004.
- 4.9 The industry has also responded to our encouragement to offer more flexible mortgage products that allow borrowers to vary their repayments. Some of these provide for "payment holidays" during times when household finances are tight. The availability of flexible mortgages is increasing rapidly, with many main lenders now providing products. Borrowers who are able to make either regular or lump sum overpayments can often repay their mortgage earlier and save interest charges. The ability to make under, as well as over, payments with a flexible mortgage helps borrowers to manage fluctuations in income and temporary gaps in employment, and supports sustainable homeownership.
- 4.10 We recognise the concerns that exist about the practices of some lenders in the sale of mortgage products. We have carried out consultation that shows that borrowers lack clear, comparable, reliable information to enable them to choose a mortgage with confidence. We are determined to make sure consumers get the information they need to make informed choices. First, we are introducing statutory regulation by giving the Financial Services Authority (FSA) responsibility for regulating key aspects of mortgage selling. The FSA will require lenders to disclose all the main features of loans clearly and openly. This will build on and complement the Council of Mortgage Lenders' voluntary Mortgage Code. Second, we are setting benchmark standards on charges, access and terms for variable rate and fixed or capped rate mortgages. These will be voluntary and not all mortgages will, or necessarily should, meet them. But they will be of particular benefit to borrowers looking for a straightforward mortgage.
- 4.11 In addition, we have given the FSA a statutory duty to improve public awareness and understanding of financial products. And have announced proposals to standardise the calculation and disclosure of annual percentage rates, and ban the practice of tying home insurance to mortgages. The effect of this raft of complementary measures will be to deliver honesty, transparency, clarity and fairness for consumers in the terms of mortgage sales.

- 4.12 In the United States of America, most home loans are securitised. That is to say, lenders sell on mortgages by issuing bonds. The bonds are a low risk investment and therefore generate funds at low rates of interest. The securitisation process also increases competition because it breaks up the mortgage process into its component parts (attracting customers, processing applications, raising finance and servicing mortgages) and allows mortgage providers to out-source the components that can be provided more cheaply by others. If the process is successful in increasing competition and reducing finance costs, it should lead to lower mortgage interest rates.
- 4.13 The key question in relation to securitisation in this country is why it is not happening already. We will be reviewing this issue with lenders to examine whether there is scope for encouraging a more active secondary market in mortgages.
- 4.14 In our Election Manifesto, we promised to tackle gazumping. We have carried out a wide-ranging study of the home buying and selling process. This identified the causes of delays and other problems, including gazumping, being experienced by homebuyers and sellers. Our study included comparisons with ten other countries and found that, while the overall costs of buying and selling a house in England were the lowest of all the countries reviewed, the total time taken to exchange contracts and complete the transaction was amongst the longest.
- 4.15 We issued a consultation paper on proposals for improving the home buying and selling process and have decided to introduce a range of measures designed to speed up the process and to make it easier and more consumer-friendly. These measures include:
- a seller's pack (currently being tested in Bristol – see below) which must be available when a house is put on the market, and which should contain the documents and information needed to complete a sale, including a home condition report;
 - changes to the law to permit electronic conveyancing;
 - encouraging local authorities to speed up the search process; and
 - asking lenders to expedite the provision of deeds and the processing of mortgage applications.
- 4.16 These proposals should increase transparency and reduce the time lag between offer acceptance and exchange of contracts. This will provide earlier certainty and reduce the risks of last minute negotiation, gazumping and other problems that currently occur. Our proposals will also help to improve labour mobility by making it easier for people to move home when changing jobs or moving area with their employment.

Home Buying and Selling: The Bristol Pilot Study

The components for a seller's information pack are being tested in a pilot study of up to 250 home sales in Bristol. The study is testing how user-friendly seller's information packs are, how well the various parts work together and the value of the home condition report. The pack includes copies of:

- title documents;
- answers to standard pre-contract enquiries;
- replies to standard search enquiries;
- planning and building regulations consents;
- warranties and guarantees for any work carried out;
- a draft sale contract;
- a surveyor's report on the condition of the property and its energy efficiency; and
- for leasehold properties, information about the lease, service charges, insurance and management arrangements.

Information gained from the pilot study will help to ensure that the proposals for seller's information packs for all home sales are introduced in a way which maximises the benefits for homebuyers and sellers.

Reforming leasehold

- 4.17 We said in our Election Manifesto that we would simplify the current rules restricting the purchase of freeholds by leaseholders. In 1998 we consulted on a wide range of reforms to give leaseholders the same degree of security and control over their homes that other owner-occupiers expect. We received over 900 responses to that consultation. We also have a Manifesto commitment to introduce a new form of tenure called commonhold, which would allow collective ownership and management of properties.
- 4.18 We will publish during 2000 for further consultation a draft Bill to implement these commitments. Amongst other things, we propose to make it easier for groups of leaseholders to qualify for the right to buy the freehold of their block, and harder for landlords to obstruct that process. All leaseholders in the block who meet the criteria will have the right to take part in the purchase and in subsequent management of the block. Leaseholders of flats will also be given a new right to take over management of their block even if they do not buy the freehold.
- 4.19 Commonhold will give the owner of each home in the block an interest similar to freehold, in that it will be unlimited in time. Unlike a lease, its value will not decline over the years. Owners will all be members of a commonhold association, which will own and manage the common parts of the development. Commonhold will be available for new schemes, but it will also be possible for leaseholders in existing developments to convert to commonhold if all parties agree.

Improving quality

- 4.20 We are committed to improving the quality of housing in the owner-occupied sector. It is only fair that the responsibility for maintaining privately owned homes, which for many people is their most valuable asset, should rest first and foremost with the owner. Each year, homeowners spend nearly £16 billion on repairing and renovating their homes. However, there remains a minority of people who, for one reason or another, fail to keep

their homes in a proper state of repair. Part of our agenda for encouraging sustainable homeownership is to make sure that homeowners recognise and fulfill their responsibilities.

- 4.21 There are a number of reasons why people do not take proper care of their homes. For many, cost is the most significant deterrent. Fear of cowboy builders or poor workmanship is often another. There are some factors, such as the disruption that often accompanies renovation work, which no amount of Government intervention can change. Nonetheless, we are taking action where we are able to do so to help make home maintenance and repair a worthwhile investment.
- 4.22 As a part of local authorities' strategic responsibility for ensuring that the housing needs of their communities are met, local housing strategies should include measures to promote improvements in the quality of all poor condition housing, whether privately or publicly owned.
- 4.23 Building Regulations ensure that new housing is built to standards that are safe, healthy, energy efficient and – following amendments that took effect last year – accessible to the disabled. Warranty schemes for new homes can complement the Building Regulations. With our encouragement, the National House Building Council has strengthened its independence and improved its new home warranty scheme. The scheme now provides purchasers with better safeguards against the failure of builders in the scheme to comply with Building Regulations and with the National House Building Council's own additional standards.



Homes for Change, Hulme: 1997 Housing Design Award. Mixed use city centre regeneration for the Guinness Trust, designed by Mills Beaumont Leavey Channon. The Awards are sponsored by DETR, NHBC, RIBA and RTPI.

4.24 The report of the Construction Task Force, "Rethinking Construction", identified scope for radical improvements in the performance of the construction industry. The Task Force suggested that capital costs and construction time could be reduced by 10% per year and that defects and accidents could be reduced by 20% a year. A "Housing Forum" was established to promote "Rethinking Construction" in housing; to encourage innovation; and disseminate best practice. Over fifty demonstration projects of a total value of £300 million have been submitted by housebuilders, local authorities and housing associations.

4.25 One of the keys to improving quality and, ultimately, reducing the costs of housing, as well as to providing safer, healthier and more attractive conditions for workers in construction, is to standardise components and to carry out more of the construction process off-site in the factory. A number of the projects demonstrate innovations in house-building that augur well for delivering reliably high quality homes more quickly and efficiently than ever before.

- 4.26 As part of our drive to tackle cowboy builders, we commissioned a working group to produce recommendations for further action. The final report of the Cowboy Builders Working Group recommended a Quality Mark scheme in the domestic repair, maintenance and improvement sector. The scheme will give consumers the information they need to choose a competent builder or tradesman to maintain, repair or alter their homes. Builders who register with the scheme will be assessed against basic criteria of technical competence, financial soundness and training, including management, as well as craft skills. They will agree to use a simple standard contract, to conform to a complaints

procedure, and to use an insurance backed warranty scheme. The criteria and procedures will need to strike a careful balance between being sufficiently rigorous to win the trust of consumers, and being sufficiently straightforward not to put an excessive burden on the many competent smaller builders.

- 4.27 The Quality Mark scheme will be developed through careful trialling in two pilot areas, Birmingham and then Somerset, starting in the Summer of this year. The pilots should provide a firm basis for rolling out the scheme nationally. Once established, the Quality Mark should provide a powerful mechanism for progressively improving standards in the industry and increasing confidence amongst consumers.
- 4.28 We recognise that not everyone can afford to keep his or her home in good repair. This can be a particular problem for older people, who are often most at risk from poor housing. It can also be a problem in areas with high levels of deprivation.
- 4.29 Help is available to homeowners who are trapped in poor condition housing that they cannot afford to maintain or repair. In the main, that help takes the form of grants and advice from local authorities or other agencies. With funding from central Government, local authorities invest about £275 million each year, improving conditions for around 70,000 of the poorest and most vulnerable households in privately owned housing. The Government provides £6.7 million annually to support local authority funding of Home Improvement Agencies, which help elderly, disabled and vulnerable people to remain independent in their own homes by identifying necessary repairs and improvements, finding suitable tradesmen and ensuring the work is properly carried out. Support is also provided through the Home Energy Efficiency Scheme, discussed in Chapter 12.

Tackling concentrations of poor housing and areas of low demand

- 4.30 In many parts of the country, local authority strategic investment in the private sector is targeted on tackling concentrations of poor housing. Although in many of these areas the poor condition of the housing stock is a symptom of deeper-rooted social and economic problems, housing renewal is often an important part of any solution. Local authorities have powers to carry out area-based renewal, for example by declaring renewal areas, or by carrying out group repairs to whole blocks of buildings. Many authorities find such area-based schemes, and the neighbourhood renewal assessments that accompany them, a valuable part of the process.
- 4.31 In some local authority areas, however, the problem is less about improving unfit housing, and more about tackling other problems associated with low demand – as the Social Exclusion Unit's Policy Action Team (PAT7) on unpopular housing made clear in its report. Although many of the problems that contribute to low demand require social, economic and environmental solutions that go beyond the scope of this Green Paper, carefully targeted investment in the housing stock, as part of a package of other measures, can help prevent low demand from spiraling into wholesale abandonment. Many local authorities have found that declaring a renewal area as part of an overall regeneration strategy acts as a catalyst for action.

Supporting low-cost homeownership

- 4.32 In some cases, people on relatively modest incomes might be able to maintain payments on a home of their own but are prevented from doing so because, for example, they live in an area with relatively high market values. A number of policies exist to help people in such circumstances. These include the Right to Buy, Right to Acquire and Voluntary Purchase Grants, which offer tenants in social housing a discount against the market value of the homes they rent if they choose to buy them.
- 4.33 In addition to these policies, we also provide funding to support low cost homeownership through the Housing Corporation and local authorities. The schemes available currently are shown in the box below. They can help to meet the housing needs of key workers such as nurses and teachers both in cities and in rural communities.

Existing low cost homeownership schemes

Conventional Shared Ownership, which allows people to part buy and part rent homes developed by registered social landlords. Over time, people may increase the share of their ownership as their circumstances change.

Do-It-Yourself Shared Ownership, which is similar to Conventional Shared Ownership but allows people to select a home in the private market and then part own and part rent it, with a registered social landlord taking on ownership of the rented share of the property.

Homebuy, introduced in April 1999, which allows people to buy a home in the private market with an interest free equity loan from a registered social landlord for 25% of the value of the property. The loan is repayable, at 25% of the current market value, when the home is sold.

The Cash Incentive Scheme, under which local authorities offer cash grants to tenants to buy a home in the private market.

The Right To Buy

- 4.34 The Right To Buy scheme has helped 1.3 million council tenants in England to realise their aspirations to own their own homes. In many cases, it has encouraged more affluent tenants to remain in the neighbourhoods they have lived in for many years, helping to create stable, mixed-income communities. However, it has been a generous scheme, with a long term cost to the taxpayer of about £10,000 for each sale. It has led to the removal of more desirable homes from the social rented sector, leaving local authorities with a smaller stock of poorer quality properties in which to house people who need their help. It has also led to many thousands facing difficulties in meeting the costs of maintaining their homes.
- 4.35 Last year, we introduced some changes to the Right to Buy to improve the value of the scheme and to ensure that it only encourages homeownership where it is sustainable. We do not intend to make any further significant changes to the Right To Buy scheme but, in order to tackle some of the remaining problems which can be associated with it, will consider further options to help people on low incomes to meet the costs of maintaining their homes. These proposals would apply to all homeowners, not just those who have bought under the Right To Buy. They are discussed at the end of this chapter.

- 4.36 Our programme of investment and policy modernisation for social housing, discussed in Chapters 6 to 10, will improve the quality, supply and administration of social housing to ensure that local authorities can offer access to decent homes to everyone who needs their help.

What more can the Government do?

- 4.37 Chapter 2 of this Green Paper set out the challenges we face. It identified some problems for homeowners. We believe that many of the problems identified are being tackled by the policies described already in this chapter. There may, however, be scope for further changes to:

- provide extra support for people on the threshold of homeownership;
- reduce barriers to work that exist in the current schemes providing benefit help with the payment of mortgage interest; and
- encourage further improvements in the quality of housing in the owner-occupied sector.

Further support for people on the threshold of homeownership

- 4.38 Helping those on the threshold of homeownership enables people to achieve their own aspirations. It has wider benefits to society too. We will expand our support for low cost homeownership, building on existing schemes, in order to:
- provide greater help for people on lower incomes to buy their own homes, promoting a culture of opportunity, choice and self-reliance and giving people more of a stake in their housing and neighbourhoods;
 - ensure that key workers can buy homes in areas of high demand so that they are not priced out of urban and rural communities to whom their services are vital; and
 - promote a better mix of housing tenures, creating stable, mixed-income communities rather than ghettos of poor and vulnerable people.
- 4.39 We propose a new Starter Home Initiative to provide this further support. The Starter Home Initiative would operate on a competitive basis, with innovative proposals invited from registered social landlords and others. The initiative would operate on a flexible basis, adaptable to local needs and circumstances. The key criteria that we believe should be applied in considering proposals would be as set out in the box below.
- 4.40 We welcome proposals on how the Starter Home Initiative could be operated most successfully and cost effectively and will announce details of the initiative in the light of responses to this Green Paper and the 2000 Spending Review.

Key criteria for proposals under The Starter Home Initiative

The initiative would:

- only be available in areas where house price affordability is a significant problem and where there is demonstrable excess demand for housing;
- be focused on homes in the bottom quartile of house prices in a local housing market area;
- be targeted on key workers on lower incomes.

Proposals must:

- be supported by a robust assessment of local housing needs and have clear links to the local authority's housing strategy;
- demonstrate that they will help people who would not otherwise be able to buy their own home in the area but who are capable of sustaining the mortgage and maintenance costs of homeownership in the long term;
- demonstrate good value for money in meeting local housing needs in comparison with other options such as new social housing for rent.

Proposals could:

- involve repayable interest free loans, cash incentives, development grants, or other innovative approaches which meet the main criteria above;
- involve provision of low-cost homeownership options as part of new development or renovation plans;
- cover housing market areas that span more than one local authority, provided that the proposals match the housing strategies of relevant authorities.

Reform of benefit help with mortgage interest payments

- 4.41 Currently, benefit help with mortgage interest payments is only available after nine months and is linked to income support or income-based Jobseekers Allowance entitlement. It covers the interest only element of a mortgage and is limited to the first £100,000 of a mortgage. This provides support for people who cannot work but does not cover the capital element of a mortgage. The limitation to interest only and the nine-month waiting period provide incentives to find work and to take out private Mortgage Payment Protection Insurance (MPPI). They may, however, be a factor in homeowners building up significant arrears (and possibly losing their homes) if they do not have replacement income, if they have suffered an event which is not covered by their insurance, or if they are not able to go back to work.
- 4.42 As soon as a claimant takes up work, his or her benefit help with mortgage interest payments is ended completely. If people moving into work subsequently lose their jobs, they may have to go through a further waiting period before becoming entitled to benefit help again. These factors can act as a disincentive to work.
- 4.43 We have considered options for improving the operation of benefit help provided with payment of mortgage interest to remove disincentives to work. From April 2001, we will be:

- **Extending to 52 weeks the linking arrangements for benefit help for those taking but then losing a job.**

This will enable people who take up work but then lost it within 52 weeks to re-claim benefit help with mortgage interest payments without having to wait another nine months. It will help to remove a disincentive to claimants taking up casual or seasonal work or work where the claimant is otherwise unsure about its long-term viability.

- **Providing in-work support for claimants of benefit help with mortgage interest payments.**

In order to increase incentives to work and provide more equal treatment between homeowners and those who rent, benefit help with mortgage interest payments will be continued to claimants for a further four weeks after they take up work. This will give people time to adjust to their new financial circumstances and help with the move into work.

4.44 In the longer term, further changes to benefit help with mortgage interest might be possible. These would be designed to link in better with private insurance (MPPI), encouraging homeowners to make increased provision for unforeseen circumstances, reducing the burden on the State, and rewarding responsible behaviour. Options might include:

- **extending the waiting period for benefit help to 14 months** for most claimants on the basis that homeowners could depend on 2 months lender forbearance and 12 months of MPPI payments to see them through that period, and would receive some benefit help upon returning to work;
- **offering benefit help earlier (after 2 months)** to homeowners who had taken out MPPI but who had suffered an uninsurable event;
- **allowing MPPI payments to be given a more generous treatment** in assessing benefit help entitlement.

4.45 However, the introduction of such options would be dependent on our being satisfied that the quality and take-up of MPPI was sufficient to enable a better integrated public-private sector approach. We shall be reviewing the success of the industry initiative to increase take-up of MPPI to 55% by 2004 and will consult in more detail on any proposals before implementing them. Our chief aim in any further changes will be to ensure more effective protection for homeowners.

Providing more effective help to owners of poor quality housing

4.46 It is neither possible nor desirable to provide public money to tackle all the problems of poor condition housing in the private sector. In many cases, this would merely displace the investment that homeowners would otherwise have made themselves. Our aim is to provide better opportunities for people to maintain and repair their homes from their own resources where they are able to, and to help those who cannot afford to do so.

- 4.47 As part of this, we are considering the possibility of producing an index of figures to illustrate the potential costs of keeping a range of homes in good order over their lifetime. This would help people to identify and plan for the long term cost of maintaining their preferred home.
- 4.48 In the past, local authority help to homeowners has been driven by a desire to preserve properties. We believe that the focus should be on protecting people, and that priority should be given to those cases:
- where the household is most at risk from poor housing and the owner cannot afford to repair the house;
 - where the poor condition of a house or group of houses is having a negative impact on the wider area; and
 - where the authority has a scheme to improve the area as a whole.
- 4.49 Under the present renewal grant regime, introduced in 1996, local authorities have powers to give grants to help people repair their homes. The circumstances in which they can do this, and the amounts they are able to pay, are closely prescribed. This can lead in some cases to poor targeting of resources, where large sums of money in the form of renovation grants go to people with considerable assets, but where no help is available to others who may be equally or more deserving.
- 4.50 In particular, many people have substantial amounts of capital in the form of equity locked up in their homes, which could be used to finance home improvement, but may be eligible for grants because their income is low. Enabling them to make use of some of that equity to repair their homes would free up valuable resources, which could then be used to help other households. However, there are a number of hurdles that need to be overcome before equity release can become commercially viable.
- 4.51 We believe that a new approach is needed that allows local authorities to use their resources more effectively as part of their strategic role in providing help to a wider range of homeowners. That help might take the form of a grant or a loan, the provision of a low-cost maintenance service through a home improvement agency, or advice or help in taking out a commercial loan.
- 4.52 In general, grants should only be given where no other option is available or practicable. However, local authorities are best placed to judge what form of help to give in each case. They should be allowed to develop measures that match the housing, social and economic conditions in their area, the needs of homeowners and private sector tenants, and the local housing strategy. We believe that the role of Government should be to set objectives and targets and give authorities the tools and to make sure they make the most effective use of the resources at their disposal. This is in line with our Modernising Government agenda and with our emphasis on local authorities' strategic responsibility for improving housing conditions across all tenures.
- 4.53 We are therefore proposing to adopt a new approach, on which we would welcome your views. Our approach would contain the following elements:

- **Reforming local authorities' grant-giving powers (currently under Part I of the Housing Grants, Construction and Regeneration Act 1996) to give them greater discretion over how they give grants.**

This could be done in two ways. The first would involve retaining the existing grant structure – renovation grants, common parts grants, HMO (houses in multiple occupation) grants and home repair assistance – but giving authorities the freedom to determine who should be eligible, how much grant to give, and what conditions to attach. The second would involve replacing the existing legislation with a general power to give grants for home renovation, which would include a power to determine eligibility, amounts and conditions for repayment. In either case, we would consider the case for allowing authorities to reuse any receipts from repayments.

- **Broadening local authorities' existing loan-giving powers (currently in Part XIV of the Housing Act 1985), to enable them to give preferential or interest-free loans for home improvement.**

This could be done either by removing the requirement for authorities to charge interest at a prescribed rate and at set intervals, or by prescribing an interest rate but allowing authorities to defer any repayments until the property on which the loan is secured is sold. Again, we would consider the case for allowing local authorities to reuse the receipts from loan repayments. We also propose to allow preferential or interest-free loans to be used to help disabled people to finance their contributions towards the cost of adaptations.

- **Giving local authorities new powers to make payments to third parties such as Home Improvement Agencies to help lever in private finance for home improvement.**

Local authorities already have powers, under Part XIV of the 1985 Housing Act, to indemnify mortgagees and to contribute towards mortgage costs. Your views are invited on whether these powers are sufficient, or whether they would need to be broadened further. In addition, your views are invited on whether local authorities' powers to give financial assistance to third parties should be extended to include bodies that provide interest-free or preferential loans for home improvement.

- 4.54 Subject to the responses to this consultation, we would take these proposals forward when the next legislative opportunity arises. We propose, as an interim measure, to issue a general consent giving local authorities broader powers to vary the grant condition period, set additional conditions and to waive the requirement to repay grants in certain circumstances. Once the main proposals were in place, we would need to establish clear guidelines and monitoring arrangements to ensure that public resources are used effectively and to avoid the risk of fraud. We would therefore also issue new guidance to local authorities.
- 4.55 The guidance would direct authorities to target help on households who are most at risk from the effects of poor housing, and on areas where the cumulative effect of poor quality private sector stock threatens the viability of the neighbourhood. It would direct them to choose the form of assistance that makes the most effective use of public resources in each case. The guidance would also encourage authorities to develop links with lenders, in order to help households access affordable commercial loans. We would continue to monitor the results of local authorities' activity and reward good performance, through the Housing Investment Programme and Best Value.

Giving local authorities the tools to tackle low demand

- 4.56 We want to encourage local authorities to make more use of their housing renewal powers to tackle the problems associated with low demand. As the Policy Action Team on



Unpopular Housing (PAT7) suggested in its report, it will be necessary to broaden the scope of those powers if other causes of low demand, such as obsolete design, are to be addressed. We believe that local authorities should be given more general discretion over how they carry out area renewal.

4.57 We therefore propose, subject to the responses to this consultation, to give local authorities more freedom over where they can declare renewal areas, and over how they carry out group repair. For their renewal area powers, we propose to remove the conditions that relate to the size of the area, the proportion of properties in private ownership, and the proportion of unfit properties within the area. For their group repair powers, we intend to remove the conditions relating to the proportion of unfit properties, and to the exclusion of flats from the scheme. In addition, we propose to give local authorities greater discretion to determine how much participants in group repair should contribute, in order to make it easier for authorities to renovate entire blocks of buildings. It would be possible to do all of this through secondary legislation and guidance.

- 4.58 Your views are also invited on whether more fundamental changes to the legislation governing renewal areas and group repair are necessary in the longer term. For example, group repair could be extended to include the replacement of obsolete housing where it is possible to do so within the existing boundaries of a property. It might also be possible, as part of a wider reform to the housing renewal grants legislation, to incorporate renewal areas and group repair within a more general power to carry out housing renewal. However, we recognise that many local authorities find their renewal area and group repair powers to be valuable tools in their own right.
- 4.59 We recognise that, in some areas of chronic low demand, renewal may not be a viable long term solution and selective or even wholesale clearance may be the only option. In such cases, local authorities are able to use powers contained within housing and planning legislation to purchase and remove surplus housing. Relocation grants are available within clearance areas to help homeowners purchase similar properties nearby. Although local authorities' compulsory purchase powers are the subject of a separate consultation, your views are invited on whether their powers to give relocation grants should be broadened. For example, these might also be linked to local authorities' general powers within renewal areas and, in line with our proposed reforms to the housing renewal grants legislation, local authorities could be given greater freedom to determine eligibility criteria, amounts and grant conditions.

Conclusion

- 4.60 Our policies are encouraging sustainable home ownership. We welcome your views on the proposals set out in this Chapter to provide further support for people on the threshold of homeownership, to reduce barriers to work in current benefit help with mortgage interest payments and to encourage further improvements in the quality of owner-occupied housing.

CHAPTER 5

Promoting a healthy private rented sector

- 5.1 A healthy private rented sector provides additional housing choices for people who do not want to, or are not ready to, buy their own homes. It is a particularly important resource for younger households. Through its flexibility and speed of access, it can also help to oil the wheels of the housing and labour markets. People moving for job reasons often need to rent a home at their new location, while homeowners whose work takes them away for a period can put their home to good use in the meantime by renting it out.
- 5.2 In England, only one in ten households live in private rented housing. That is exceptionally low by comparison with most other developed countries. We therefore want the sector to grow and prosper. That means building on its strengths as much as tackling its weaknesses. Landlords can be assured that we intend no change in the present structure of assured and assured shorthold tenancies, which is working well. Nor is there any question of our re-introducing rent controls in the deregulated market. Our many good landlords deserve support and encouragement – to help them improve their position in the market-place and to help them deal with tenants who misbehave or refuse to pay the rent.
- 5.3 However, the quality of our private rented stock and its management is not always what it should be. Proportionately more privately rented homes are in poor condition than in the other housing sectors. Ownership is highly fragmented: most landlords rent out only one or very few homes, and have little chance to become expert property managers. Many turn to letting agents for help, but agents' standards of competence and probity vary greatly.
- 5.4 A small minority of private landlords set out to exploit their tenants and the community at large in flagrant disregard of the law. Some see their role solely as collecting rent. They take no interest in either the condition of their property or the behaviour of their tenants. A handful of anti-social tenants can have a devastating impact on the social fabric of the surrounding area. The problem is compounded by the fact that such anti-social tenants are often dependent on Housing Benefit, paid directly to the landlord. This provides landlords with no incentive to enforce tenancy agreements or manage their property effectively.
- 5.5 All of this earns for the sector as a whole a far worse image than it deserves. This in turn discourages reputable investors from putting money into rented housing. It may also deter many households who would be well suited to private renting from entering or remaining in the sector.
- 5.6 In short, the sector is performing below its true potential. This matters for three reasons:
 - First, for a great many people there is really no alternative to private renting at some stage in their lives – for example when they leave home for the first time for work or study.

- Second, in some areas social rented housing is in short supply and many low-income households are forced into renting privately.
- Third, it is relatively quick and easy to rent a home privately, and to move from one privately rented home to another. These are important advantages for people who are not yet ready to put down permanent roots, or who have to move quickly to take up a job in a different area. Many more households of these kinds would be likely to opt for private renting if they were assured of a good supply of decent, well-run accommodation.

5.7 **Our objective therefore is to secure a larger, better-quality, better-managed private rented sector.** To achieve this we need:

- to retain our 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.

Raising the standards of good and well-intentioned landlords

5.8 We believe that most private landlords are basically well-intentioned and anxious to do a good and responsible job. This is not at all easy for them. While there are some large companies and estates involved in private renting, most landlords are in the business only in a small or very small way, usually as a sideline.

5.9 More than half of all landlords in England rent out only seven homes or less. Over a quarter have only one letting, and many became landlords only by accident, for example as a result of inheriting a property, or having difficulty in selling one, or needing to move abroad for a while for job reasons. Others have entered the sector as an investment, but have done so only very recently as mortgages for the acquisition of properties to let have become available on attractive terms through 'buy to let' schemes, and are still very inexperienced.



5.10 There is already a great mass of legislation for these small landlords to come to terms with, and when they fall foul of the law it will more often than not be through inadvertence. Many lack previous knowledge of property management. It is not unusual for them, too, to fall victim to irresponsible or unscrupulous tenants. In short, to raise their standards and prosper, they need encouragement, support and education rather than further heavy regulation. This can best be provided by local authorities, professional and voluntary organisations, though we are anxious to play our part by helping to spread best practice and provide general support.

- 5.11 We already encourage industry self-regulation and professional education. Both the national trade bodies and the many locally-based landlords' associations provide invaluable support and information for their members. Many local authorities already run private landlords' forums which help to spread awareness of landlords' legal obligations and of good practice.
- 5.12 A number of authorities and universities have developed local landlord accreditation schemes. These set and monitor the standards required by members. Accreditation can help to establish members' competitive position in the marketplace, and thus encourage others to apply and to raise their standards accordingly. These schemes have grown up independently of each other, and the details of how they operate and of the standards required vary considerably. There is a need to establish which approaches are most productive and to work towards a greater commonality of standards. We have therefore commissioned research into accreditation schemes, and aim to publish best practice guidance once this is complete.
- 5.13 Small landlords often need help with the letting of their property but do not know how to get hold of a good agent, or get their fingers burned when they employ an unsound one. We have therefore supported the development by the relevant trade bodies of the National Approved Lettings Scheme (NALS), which aims to establish a single 'kitemark' for professional reliable letting agents, recognised by industry and public alike.
- 5.14 We are already, in our separate work on residential leasehold reform, studying options (including regulation) for raising standards in the closely related profession of residential property management. We will consider the position of letting agents further in the light of the outcome, and of the take-up and track-record of NALS in the meantime.
- 5.15 We believe also that many small landlords would welcome assistance with managing their properties. There may be a particular need in some areas of declining housing demand, where market rents may give a poor return on the landlord's original investment, for low-cost management services. Registered social landlords would be obvious candidates to provide such a service, either as ordinary managing agents or by themselves taking a commercial lease of the property. Under the latter arrangement, the freeholder would not have to deal directly with residential tenants and the registered social landlord would have full control over decisions about which tenants to take and the management of their tenancies. We will explore with local authorities, registered social landlords and others whether they might be able to undertake this role and how best to support them in doing so.
- 5.16 Another area where good practice needs to be developed and propagated is the handling of the disputes which often arise between tenants and landlords at the end of the tenancy when the landlord seeks to retain the tenant's deposit to cover the cost of alleged damage. Landlords sometimes abuse the system by refusing to return the deposit even if the tenant has done nothing wrong. With the national trade bodies, we have developed a pilot Tenancy Deposit Scheme which aims to provide security for the deposits and swift independent resolution of disputes at the end of tenancies. The scheme will be tested in selected areas around the country, and will run from 2000 to 2002.
- 5.17 Two versions are being tried out. In one, the deposit will be held by an independent stakeholder throughout the tenancy. In another, the deposit will be held initially by the landlord but will be transferred to a third party if a dispute arises at the end of the tenancy. In both cases, the Independent Housing Ombudsman will determine any dispute and the money will be distributed between the parties on his instructions. We will consider in the

light of experience with the pilot, including the extent of take-up, what further action may be needed to ensure that landlords generally institute satisfactory arrangements for custody of deposits and resolution of disputes.

Persuading reputable investors to expand the supply of private rented housing

- 5.18 While many new landlords have entered the sector in recent years, there has been only modest expansion of the sector as a whole since rents on new lettings were deregulated. Ownership has become even more fragmented, and large companies account for a smaller proportion of the stock than before.
- 5.19 A step-change in the size of the sector seems unlikely unless major investors such as the pension funds can be persuaded once more to make a substantial commitment to residential property. This is a sector in which they were once important players but which they have not touched for some decades now. Such a commitment would be likely to bring further important advantages with it, in terms of economies of scale, efficiency, and quality.
- 5.20 There is evidence of growing awareness of, and interest in, the potential of residential investment in recent years but this has yet to be translated into action. Institutional investors still perceive risks in this sector which are not matched by the returns available.
- 5.21 We are actively seeking to create a more favourable climate for major investment in the sector. Certainty and confidence – on the part not only of the investor but also of his tenant customer – are the key requirements. For that reason, we are firmly committed to retaining the current legal framework of assured and assured shorthold tenancies. The measures we propose to strengthen the safeguards against irresponsible or criminal abuse by landlords will enhance the reputation of the private rented sector in the eyes of potential investors and tenants.
- 5.22 It is also important for both responsible landlords and tenants that the courts should be able to provide swift and certain redress if the other party defaults on his or her obligations. A comprehensive review of civil enforcement is in progress. This includes consultation on better enforcement of decisions by the civil courts, covering improved sanctions for failure to comply with court orders, the role of the court in the enforcement process, and the need for better systems for gathering information about debtors. The Lord Chancellor's Department expects to consult later this year.

TAX

- 5.23 We have received a number of proposals for changing the tax system for the private rented sector. For example, it has been suggested that we should provide for a new investment vehicle that would enable financial institutions to invest in property indirectly through securities on similar tax terms to those that apply to direct 'bricks and mortar' investment.
- 5.24 The Government is exploring whether tax measures could help make the private rented sector work better and make investment in rented housing a more attractive proposition. The tax system already makes substantial provision for expenditure on repairs and

maintenance by landlords, and the withdrawal of mortgage interest tax relief will improve the functioning of the housing market and make renting more attractive.

- 5.25 In considering the scope for further action, our aim will be to encourage properly considered long-term investment and housing decisions taken on their intrinsic merits. We do not want artificial tax breaks that distort investment choices and do not tackle the problems faced by the sector.

Making the worst landlords better

- 5.26 With landlords, we can make significant progress to improve the private rented sector. But too many privately rented homes are in poor condition and we need to make sure that the worst landlords also improve their housing – or get out of the business altogether.
- 5.27 Improvements and maintenance cost landlords money from which they get no direct return and some neglect their properties in consequence. Therefore, it can prove necessary for government to intervene. Local authorities have extensive powers to intervene where dwellings fail the test of ‘fitness for human habitation’. In practice, however, they make only limited use of these powers, because they are labour-intensive and because authorities fear that the effect of strict enforcement will only be to reduce much-needed supply. The ‘fitness’ test, besides, does not relate well either to tenants’ perceptions of the condition of their homes or to problems which threaten their health and safety.
- 5.28 We plan to replace the existing pass-or-fail fitness standard with a health and safety rating scale, and to overhaul authorities’ powers to intervene. This will aid improvements to the quality of all housing, whether in the owner-occupied, private rented or social housing sectors. The new rating will help in two ways. First, the rating will be based directly on the actual hazards threatening the occupants and will therefore give a more accurate measurement of the impact of defects on health and safety. Second, authorities will be able to tailor the type and degree of their intervention to the severity of the hazards within the dwelling. That should mean better-targeted and more effective use of their resources.
- 5.29 In addition, the Law Commission has proposed that any new lease of a dwelling should include a requirement on the landlord that the dwelling should be fit when first let, and maintained in a fit condition thereafter. This would provide tenants with a new opportunity to take action against delinquent landlords. We think this could be a useful supplement to the other action we propose on housing condition, though the proposal will need some modification to take account of the introduction of the health and safety rating in place of the fitness standard.
- 5.30 Both physical conditions and management standards in the sector are often worst in ‘houses in multiple occupation’ (HMOs), such as large nineteenth-century buildings converted into bedsits. These can also pose more severe fire risks to occupants. We are already committed to introducing, as soon as Parliamentary time allows, a compulsory licensing system for HMOs, and to modernising and rationalising the confusing mass of controls in this area. It would be an offence to operate an HMO without a licence, or in breach of conditions attached to the licence. We have consulted separately on detailed proposals for this. The result will be a far more effective regime for stamping out neglect, dishonesty and malpractice but also a much more satisfactory framework for reputable operators, incorporating the principles of better regulation.

- 5.31 Some commentators have suggested that we should extend these compulsory licensing proposals to take in the whole of the private rented sector. We do not think that this would be the best way to try to raise standards. Licensing HMOs will already be a substantial new task for local authorities. Licensing the whole sector – over 10% of our entire housing stock – would be a massive undertaking which would risk collapsing under its own weight, not least as a great many homes enter and leave the private rented sector each year. The extra red tape involved would also be likely to encourage some perfectly respectable landlords to leave the business altogether and to dissuade others from joining it.

LIMITED LICENSING

- 5.32 There are, however, areas of declining housing demand, particularly in parts of our northern cities, where the large-scale operations of some unscrupulous landlords, often linked to criminal activities such as Housing Benefit fraud, drug-dealing and prostitution, are destabilising local communities, creating a range of social and economic problems, and seriously hampering efforts at regeneration. Not only can they make life very difficult for respectable tenants, but also they are increasingly offering homes to anti-social households, including some who have been excluded because of their misbehaviour from nearby social housing.

- 5.33 This unholy alliance of bad landlords and bad tenants creates a complex and intractable set of problems, requiring multi-agency approaches, a theme of both Policy Action Team (PAT) 8, looking at anti-social behaviour, and PAT7, looking at unpopular housing, as part of the Social Exclusion Unit-led work on neighbourhood renewal.



- 5.34 One possible ingredient in these approaches would be to give local authorities discretionary powers to impose licensing of privately rented dwellings or of landlords on particularly problematic types of property, or neighbourhoods. In these situations, where some of the problems arise from a surplus of housing rather than a shortage, licensing would be unlikely to have the same damaging side-effects as elsewhere, though the powers would need to be used highly selectively, following careful analysis of local conditions. As we propose for houses in multiple occupation, landlords could be required to meet specified standards on condition and management.

- 5.35 We welcome views on this proposal, and the form that it might best take. A particularly difficult issue is how the areas for licensing should be selected and defined, so as to ensure that action is concentrated where it is most needed rather than extending into a more general and potentially counter-productive regulatory regime.

RENT SERVICE AGENCY

- 5.36 Unscrupulous landlords have sometimes been encouraged into low-demand areas, where many of the remaining households are on low incomes, by the prospect of rich pickings from the Housing Benefit system. Fraud, and the further action we propose to combat it, is discussed separately in Chapter 11. However, they have also been able in the past to make easy money out of benefit in such areas by perfectly legal means.

- 5.37 Rent Officers are responsible for determining what would be reasonable market rents for private rented accommodation and Housing Benefit payments are based on those determinations. In unpopular areas, Rent Officers can have great difficulty in assessing true market rents. Most tenants are on benefit and indifferent to the level of rent they are asked to pay and there are too few homes let to non-benefit claimants to provide true market comparisons. As a result, the determinations by Rent Officers, and the Housing Benefit payments based on them, have sometimes lagged behind rapid decline in the market.
- 5.38 The Rent Service was established as an Executive Agency of the Department of the Environment, Transport and the Regions in October 1999. It includes new centralised management and quality control arrangements for the rent officers in England. The Service will ensure that, in future, determinations are carried out in a rigorous and consistent way, so that landlords cannot extract higher rents from benefit claimants than they could from tenants who had to pay out of their own pockets. We will also take forward another of the PAT7 recommendations to encourage local authorities to challenge Rent Officer determinations which they consider to be too high.

HOUSING BENEFIT CONDITIONALITY

- 5.39 More generally, it has been suggested that the availability of Housing Benefit for a property should be made conditional in some way on the landlord providing decent standards of accommodation and housing management. The objective would be both to discourage exploitation of claimants and to prevent large amounts of public money from finishing up in the pockets of bad landlords. We understand the aim of these suggestions. However, introducing this type of condition would mark a fundamental shift in Housing Benefit policy, and we need to consider the implications with care.
- 5.40 There is a danger that action of this kind could harm those we are trying to help if it led to some properties being taken off the market or not let to benefit recipients. The key point is to make sure that changes encourage landlords to improve their housing, not simply penalise Housing Benefit tenants. We must also consider the administrative implications for Housing Benefit of any proposals – we must be wary of adding further complications to an already complex scheme. We welcome views on the following approaches, which we have developed with reference to circumstances in England but which it might be possible to pursue in Scotland and Wales in liaison with the devolved administrations, taking account of their specific housing issues.

RESTRICTING HOUSING BENEFIT

- 5.41 One basic approach would be to restrict Housing Benefit payments in respect of poor housing, but only in areas where the market is over-supplied and claimants have little difficulty in finding alternative homes of a fit standard which are reasonably to their liking. These areas include some of the worst housing and some of the least satisfactory landlords.
- 5.42 To ensure that the power was being used effectively and to minimise the additional complexity to Housing Benefit administration arrangements, local authorities could be given the discretion to refuse to pay Housing Benefit in respect of a dwelling if it has been identified as failing the standard only where the landlord is not part of an approved licensing or approved accreditation scheme. By 'approved', we mean that the Secretary of

State would need to agree such schemes in order to ensure that they applied only in areas of genuinely low demand – where the claimant could move readily to another home which satisfied the requirements – and that the scheme was satisfactory in, for example, its appeals procedures. A variation on this approach might be possible in areas where there was a licensing scheme (that is, where letting homes without a licence would be illegal). In such circumstances Housing Benefit could be refused for a tenant moving to an unlicensed home. This could be a useful enforcement tool.

- 5.43 This type of change might improve the housing conditions of claimants without disproportionately increasing the risk of penalising them. It would require primary legislation and there are particular issues around licensing (as set out earlier in this Chapter) which need to be resolved before we could consider this approach. Another important issue is how restrictions should affect existing tenants who may have lived in the property for some time. It would not, of course, address the problem of claimants living in unsatisfactory homes in areas of high demand.

AVAILABILITY OF DIRECT PAYMENTS

- 5.44 Another approach might be to make the availability of direct payment of Housing Benefit to the landlord (rather than to the claimant) dependent on the landlord meeting acceptable standards of provision and management. Payment of Housing Benefit direct to the landlord was originally intended to be for use only to protect potentially vulnerable people from building up arrears and becoming homeless as a result. But it has now become the norm – benefit is paid direct to the landlord in 70% of cases. There is a general issue about whether direct payments best meet the needs of tenants and this is discussed more fully in Chapter 11. But direct payment is of considerable advantage to the landlord, who receives guaranteed and timely rental income. And in this context, it would seem reasonable in principle to deny the possibility of direct payments to landlords who do not let housing of an adequate standard, or who do not take their management responsibilities seriously.
- 5.45 Refusing to pay Housing Benefit directly to the landlord in a low demand area where the property failed to meet the standard, or where the landlord was not a member of an accreditation scheme which had been approved for the area, might introduce an incentive for landlords, at less of a risk to tenants compared to the option of restricting Housing Benefit discussed earlier. However, since this approach would have a less direct impact on the availability of housing for claimants, it could perhaps be considered for a wider range of areas than the approach of linking benefit to the condition of the property. Local authorities would generally be expected to deny the method of direct payment to landlords in such circumstances, unless they considered that such a course of action would harm the claimant's prospects of finding suitable alternative accommodation. However, we need to remain alert to the need to protect the small proportion of claimants who cannot manage their financial affairs; some of whom are at risk from unlawful action taken against them by their landlords. Payment measures would need to be available to protect the most vulnerable so that rent arrears for this group did not build up.

HOUSING BENEFIT AND ANTI-SOCIAL BEHAVIOUR

- 5.46 There are also situations where the claimant is not so much the victim of the bad landlord as his accomplice, and where his own anti-social behaviour is an important part of the problem. Here too it has been suggested that the benefit rules could be adapted to

encourage both tenants and landlords to behave responsibly. Housing Benefit could be reduced for unruly tenants, whilst the method of direct payment could be denied for landlords who failed to do what they could to control the behaviour of their tenants. Objective tests would need to be devised of the behaviour to be required of tenants and landlords for this purpose.

- 5.47 Local authorities could be given the powers to reduce Housing Benefit for unruly tenants as an alternative, or as part of the process of pursuing an Anti-Social Behaviour Order. Full benefit would be restored once the tenant's behaviour had improved. It might also be possible to reduce payment of other housing-related benefits, to encourage responsible behaviour amongst all those who receive help with their housing costs. However, once again, this would mark a fundamental shift in the nature of Housing Benefit and we would need to proceed with great care. Above all we would need to ensure that the innocent families of unruly tenants did not suffer.
- 5.48 Direct payments could be refused where the local authority operated an approved landlord accreditation scheme that required landlords to take all appropriate steps to ensure that their tenants behaved in a responsible manner, and where the landlord failed to seek accreditation or did not meet its criteria. Again, we would need to ensure that vulnerable tenants who had been protected by direct payments did not get into financial difficulty.

SAFEGUARDS AGAINST HARASSMENT

- 5.49 Another practice of unscrupulous landlords is to resort to harassment and illegal eviction to get rid of inconvenient tenants or discourage them from pursuing complaints. The law already provides, in principle, substantial safeguards, and sanctions, against this kind of behaviour. It is not clear, however, that these are yet as effective as they could and should be. We have therefore commissioned research into how the law is working. Preliminary results suggest that, although this is a problem only for an extremely small minority of tenants, they may have some difficulty in securing adequate protection from local authorities and the police. We aim to publish good practice guidance for local authorities once the research is complete, and will also consider whether any changes in the law are required.

Conclusion

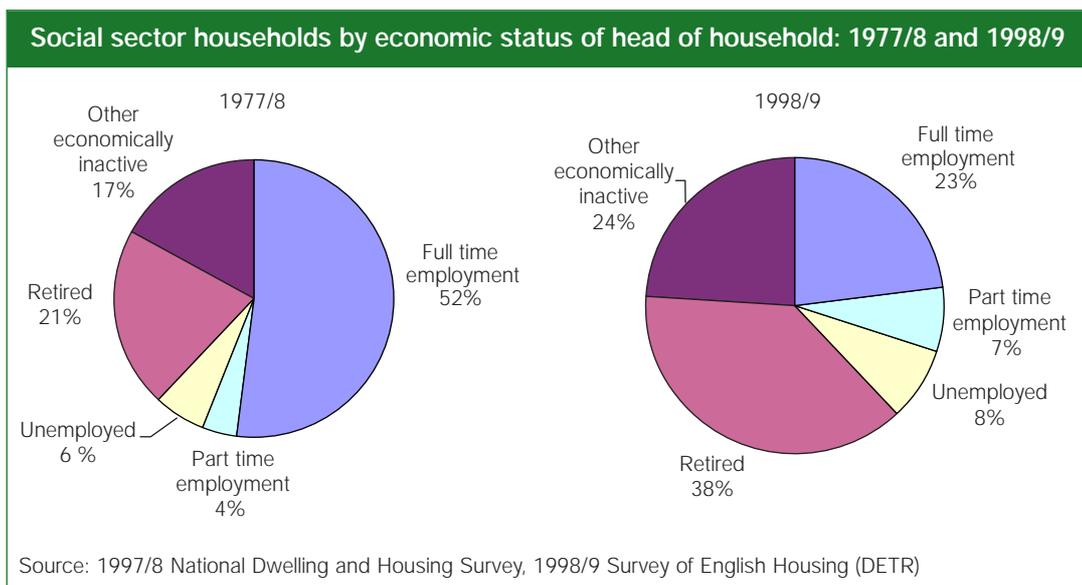
- 5.50 Our aim is to promote a healthy private rented sector. We welcome your views on the proposals and options set out in this Chapter to retain our many good and well-intentioned landlords and help them to raise their standards further and to make the worst landlords perform better, or get out of the business altogether.

CHAPTER 6

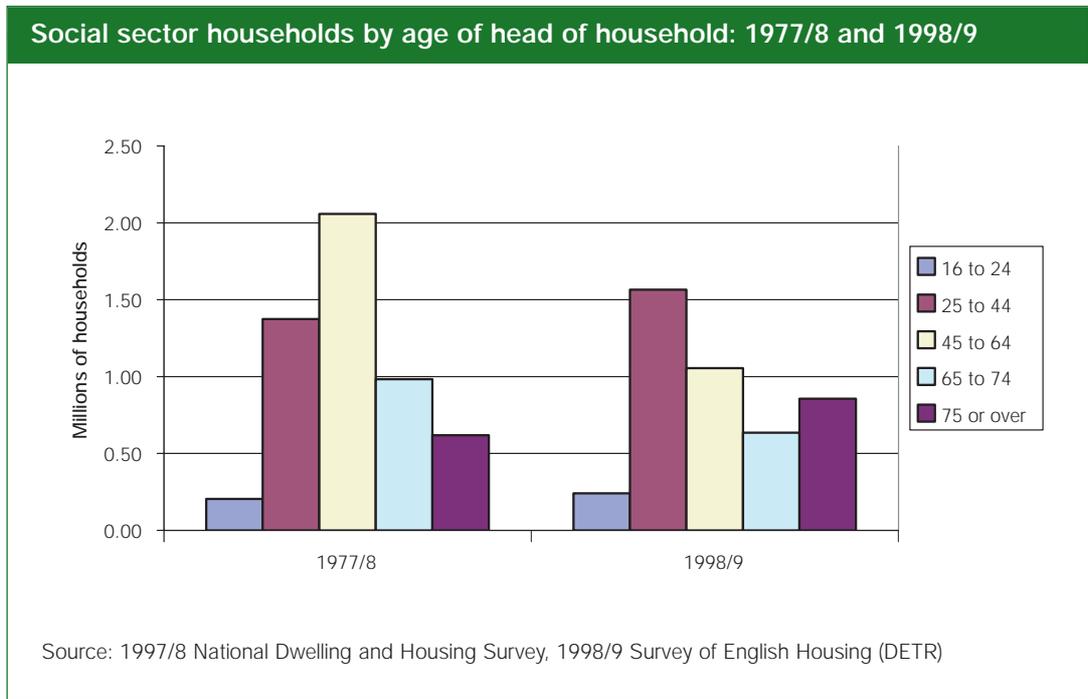
Reforming social housing for the 21st Century

A changing sector

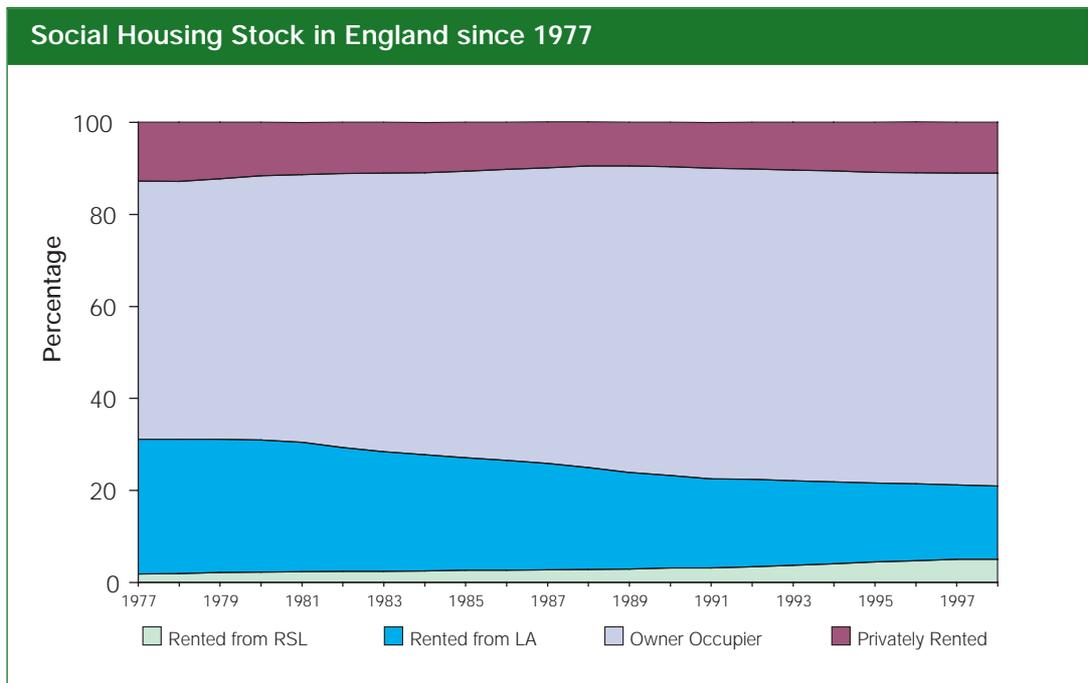
- 6.1 The social housing sector – housing managed by local authorities and registered social landlords (mostly housing associations) – has changed dramatically over the last twenty years. Wide variations exist in different parts of the country but, taking the sector as a whole, social housing now accounts for a smaller proportion of all housing. It includes a significant amount of poor quality stock, particularly in the local authority sector, where past investment has been inadequate. And there have been big changes in the characteristics of the people living in social housing.
- 6.2 There are now much higher proportions of unemployed, retired and other economically inactive households living in social housing compared with the 1970s:



- 6.3 There are fewer people in middle age ranges and higher proportions of younger and older households left in the sector:



- 6.4 Turnover has increased since the 1970s, with more tenants coming and going over a shorter length of time and greater movement between homes within the sector. Tenants' attitudes to social housing have changed too, with fewer seeing the sector as a tenure for life. More now aspire to homeownership. They are also more likely to realise that aspiration.
- 6.5 The stock of social housing has reduced in number and as a proportion of all housing. There are 1 million fewer dwellings owned by local authorities and registered social landlords now than in 1977, with social housing falling from 31% to 21% as a proportion of all housing:



- 6.6 In part, this reflects the increased demand for homeownership, with a bigger proportion of new housing being developed for sale. The popularity of homeownership is also reflected in the sale, mainly under the Right To Buy scheme, of 1.6 million local authority homes between 1979 and 1999.
- 6.7 Right To Buy sales have helped to foster mixed-income communities by keeping more affluent households in the same areas. But they have also contributed to a residualisation of social housing, which has increasingly become the preserve of the poor and vulnerable, with tenants given little choice over the homes allocated to them.
- 6.8 New affordable housing has continued to be provided, mainly through registered social landlords and often integrated with the development of housing for sale. However, in some cases in the past, new social housing has been developed in areas where it was not needed in the longer term, while insufficient amounts of new affordable housing have been developed in areas of acute pressure. This has probably resulted in part from an undue emphasis on national, rather than local, targets for social housing provision.
- 6.9 Planning policies have helped local authorities to ensure the provision of affordable housing within private developments. However, authorities' performance in implementing such policies has been variable, with scope for better practice in some high demand urban and rural areas.
- 6.10 There has, then, been an overall reduction of the social housing stock, a failure accurately to match new provision with demand at a local level, and a deterioration in quality resulting from a lack of investment. The combination of these factors has reduced the flexibility available to local authorities in helping members of their communities who are in housing need. Often, there is a mis-match between the size and types of housing available and the needs of families or individuals applying for it.
- 6.11 The position varies greatly across the country but results in inefficient and unsatisfactory use of the stock. In areas of high demand there tends to be higher than average levels of over-crowding and use of temporary accommodation (such as Bed & Breakfast hotels), while in areas of lower demand there are higher levels of under-occupation (people living in homes bigger than they need) and empty homes.

Issues for the future

- 6.12 Poor quality, a lack of choice for tenants and changing aspirations have turned much of the social housing sector into a tenure of last resort and contributed to the phenomenon of low demand. If social housing is to survive as a tenure of choice, in which balanced communities thrive, we must find new ways to manage and fund the existing stock and provide new housing where it is needed. We must also consider more fundamental questions. In a modern world with changing attitudes, we need to consider the role of social housing in the 21st Century:
- Who should social housing be for and on what terms?
 - How should it be provided and funded?
 - What should be the scale and location of future social housing developments?

- How should it relate to other forms of housing?
- How can we avoid the stigmatisation and ghettoisation of social housing?
- How can we turn it into a housing solution instead of a housing problem?

6.13 We begin to address these questions in the following chapters and hope this Green Paper will inspire a broad debate.

Our vision

6.14 We have a vision for social housing in the 21st Century. It includes the continued provision of a wide range of good quality, well-designed, well-managed, affordable social housing. Housing that meets the needs and aspirations of individuals and families who need help with the cost of housing, and which is responsive to their changing needs and aspirations.



Stukeley Street, Covent Garden: 1999 Housing Design Award. A high-density scheme for Soho Housing Association, designed by Jeff Kahane Associates. The Awards are sponsored by DETR, NHBC, RIBA and RTPI. Photo: Phil Sayer.

6.15 We want to establish a sector in which tenants have real choice over their housing, where they can take responsibility for their homes in the same way that owner-occupiers can; where tenants are empowered in the decision-making processes that affect their homes; where tenants choose their homes rather than being pushed into them; and where there is a wider range of housing providers competing for tenants' custom and offering high quality, good value services.

6.16 We believe it is also vital, in the regeneration of large estates and in the development of new housing, to achieve a closer integration of social housing with other tenures, fostering balanced, sustainable communities.

6.17 Chapters 7 to 10 set out a series of reforms that we believe will help to meet these aims over the next decade. They set out our plans for:

- continuing the improvement in the quality of social housing through a high level of investment;
- improving quality and creating a more diverse range of housing providers by enabling more local authority housing to be transferred to registered social landlords, including tenant-led organisations;
- testing other approaches to improve local authority housing quality and management through the Private Finance Initiative and arms length management organisations;
- moving to a fairer system of rents that reflect the quality, location and size of the housing but that are also affordable for tenants;
- raising the standards of performance amongst local authorities and registered social landlords so that tenants get best value services and are given a real say in decisions that affect their homes and neighbourhoods;

- developing new social housing to higher standards of efficiency, design and quality, and achieving better integration with private sector housing;
- reforming policies for the letting of social housing so that tenants are offered more choice over the homes in which they live;
- protecting homeless people and ensuring that they are given the same opportunities as others to access decent housing; and
- ensuring secure tenancies on a consistent basis and allowing social landlords new flexibilities to help tenants who need help with their housing in the shorter term.

6.18 We believe that these reforms will help to turn social housing into a tenure where tenants have choices, where the image is no longer one of decline and decay, and in which problems of social exclusion, poor quality and poverty of opportunity are confronted and surmounted.

CHAPTER 7

Raising the quality of social housing

Investment

- 7.1 It is clear that past investment in social housing was not sustained at adequate levels. The 1996 English House Condition Survey identified a £10 billion backlog of disrepair in the local authority housing sector alone.
- 7.2 In our Election Manifesto, we promised to release capital receipts from the sale of council housing for reinvestment in housing. One of the first steps we took in Government was to increase the resources available for housing, providing nearly £800 million extra in 1997-98 and 1998-99 through the Capital Receipts Initiative. We followed this up by adding an extra £3.9 billion to the spending plans for housing for 1999-00 to 2001-02, in addition to new money for regeneration programmes such as the New Deal for Communities.
- 7.3 This extra investment in housing has already delivered improvements to over 300,000 homes, and a further 1.5 million households will benefit from new investment by 2001-02, bringing about a significant reduction of the backlog of disrepair in local authority housing. In 2001-02, capital investment in housing through local authorities and the Housing Corporation will be double the amount that the previous Government had planned to spend in 1997-98.
- 7.4 Simply spending more money, however, is not enough. Higher levels of expenditure must go hand in hand with higher quality management, more effective investment and more involvement of tenants.
- 7.5 We have consulted on and announced our intention to introduce a new financial framework for local authority housing. This will place councils' housing accounts on a more business-like footing, encouraging more efficient investment in stock maintenance. The Best Value regime for housing, underpinned by the new Housing Inspectorate and a rigorous assessment process as part of authorities' housing investment programmes, will also ensure better performance and more efficient investment in the stock. And the introduction of tenant participation compacts should give tenants a clear role in improving housing services.
- 7.6 The recommendations and targets of the Construction Task Force (referred to in Chapters 4 and 8) apply as much to refurbishment, maintenance and repair as to new build. There is substantial scope for improving the performance, quality and value for money of work on the existing stock, and for reducing whole life costs. A number of demonstration projects in the social sector are tackling the challenges, but there remains a need for widespread, radical improvements in performance from both clients and suppliers.

7.7 We are considering what levels of public investment should be made available in future years. We are committed to ensuring better housing management, and that adequate resources are made available to continue to tackle the backlog of council housing renovation work, to modernise older stock to the standards of decency that tenants have a right to expect, and to provide an adequate supply of new affordable housing in areas where it is needed.



7.8 We recognise, however, that public investment will not be enough to bring about the marked improvements in quality and management that we seek. Other approaches must be pursued if we are to make the difference that is needed. We see the three main approaches as:

- stock transfer;
- for local authority-owned stock, the creation of arms-length management companies; and
- the Private Finance Initiative.

Stock transfer

7.9 The stock transfer programme is an important option for improving the quality of social housing available at affordable rents, and for offering tenants a more diverse range of landlords to meet their needs. It involves the transfer of local authority-owned homes to housing associations and new local housing companies (now both known as registered social landlords) and it takes place only with tenants' consent.

7.10 Since 1988 more than 400,000 homes have been transferred from around 100 local authorities to registered social landlords. This has attracted over £6 billion of private finance for investment to improve the homes that have transferred and has yielded over £3 billion in capital receipts for local authorities.

THE MERITS OF TRANSFER

7.11 We believe the process delivers a wide range of benefits. Stock transfer can:

- improve the quality of housing by bringing in private investment;
- create a wider range of bodies with high levels of tenant involvement to run housing, improve services and match them more closely to tenants' needs and preferences; and
- enable local authorities to concentrate on their strategic responsibilities for housing.

7.12 We have taken action to increase public investment in housing. Stock transfer brings in additional private investment to improve homes that are transferred, based on the present value of the housing and future rental income.

- 7.13 Tenants should be involved in the process of making decisions about their homes, including proposals for renovation and improvement, and wider plans for the future of their neighbourhood. Moreover, all tenants deserve a high quality housing management service, which is responsive and sensitive to their needs. Because stock transfer is dependent on the consent of tenants, the process ensures their involvement in proposals right from the out-set, building on arrangements for tenant participation negotiated through compacts.
- 7.14 The case for housing transfer does not rest solely on financial advantage. We also aim to create a more diverse pattern of dynamic and competitive organisations to run social housing. Transfer presents an opportunity to move away from large monopoly providers of social housing to a greater number of smaller bodies that are based in or closer to the communities where the homes are transferred. It may not always be sensible to transfer all of a local authority’s stock to one or more registered social landlords. But the transfer programme does not operate on an “all-or-nothing” basis. Often, the transfer of part of an authority’s stock will be the best option, at least initially, and can help to improve the diversity of housing management.
- 7.15 Transfer also helps to separate out local authorities’ strategic responsibilities from their landlord functions. We believe that those who are elected to serve their local communities should be concerned with the full range of strategic issues surrounding the housing needs of their communities, rather than focusing more narrowly on the day-to-day management of social housing. Increasingly, across the whole range of housing policy, there is a need for local authorities to play a more strategic role.

Evidence of success from stock transfers

Findings from a study of 6 transfers concludes that the new landlords are meeting their business plan targets. They have succeeded in delivering major repair and improvement programmes. They have met tenants’ expectations and have fulfilled the promises made to tenants at the time of transfer. Some key findings are:

- there is clear evidence that transfers are proving successful when judged in terms of tenant satisfaction. 41% of tenants surveyed are very satisfied and 44% fairly satisfied with their landlord. (Comparative national figures for local authority tenants are 33% and 46%)
- 34% of tenants surveyed say that the management of their home has improved since transfer. By comparison only 16% of local authority tenants say that the management of their home has improved over the past five years.
- 77% of tenants surveyed regard their rent as being very good or fairly good value for money. This finding is constant irrespective of whether tenants are pre-transfer and still within the rent guarantee period, or are post-transfer tenants paying higher re-let rents. Housing Benefit also has no effect on satisfaction ratings. In fact, slightly more of those not in receipt of benefit regard their rents as good value for money.

The research concludes that the transfer programme is establishing a new type of dynamic landlord and that they are developing a wider role for themselves than simply delivering housing in a single district. The transfer associations have actively sought out new opportunities in other districts in terms of new-build development and care for elderly people. Many have become actively involved in community development and in local area regeneration, and some transfer associations have been responsible for significant innovation and good practice, particularly in developing tenant involvement at Board level.

- 7.16 We are pleased with the success of the transfer programme to date and, against this background, we want to expand and modernise the transfer of housing stock.

- 7.17 We intend to encourage more local authorities to consider the benefits which transfer can bring to tenants and local communities, both from a housing perspective and in terms of wider regeneration and economic and social gains. If tenants are not convinced of the advantages, they will not vote in favour of transfer in ballots, which we will retain as an essential element in the process.
- 7.18 We believe that the transfer process can be improved so that it yields advantages for tenants, communities and local authorities, whilst protecting the interests of tax payers and lenders and continuing to attract private investment. Our proposals for improving the process are set out later in this chapter.
- 7.19 From 2001-02, we will support the transfer of up to 200,000 dwellings each year. If local authorities submit transfer proposals at that level, and if tenants support them, registered social landlords will become the majority providers of social housing from 2004 onwards. If the demand for stock transfer from local authorities and tenants greatly exceeds 200,000 homes each year, we will consider supporting a higher level of transfer.

KEY SELECTION CRITERIA

- 7.20 As with all aspects of housing, the transfer process must go hand in hand with best value considerations. Where a local authority concludes that transfer of all or part of its stock is the best way forward, it should ensure that its decision includes an evaluation based on the “four Cs” – challenge, compare, consult and compete. In the longer term, the Housing Inspectorate will be looking for evidence that decisions flow from a proper consideration of these Best Value Review criteria.
- 7.21 Where a local authority proposes to transfer only part of its stock, we will expect it to have done so within a strategy for all its housing. It would seldom be sensible, for example, for an authority to transfer only its good quality stock, unless it had clear plans for dealing with its poorer quality housing.
- 7.22 For the future, in deciding whether to approve applications for the stock transfer programme, we will consider proposals against the key criteria set out in the box below. More detailed guidance will be provided annually to local authorities. The criteria described below are consistent with Best Value principles. It follows from the advent of housing inspection that we will also take into account findings from any housing inspections already undertaken.

Key selection criteria for future stock transfers

- Whether there is evidence of support amongst tenants for the proposed transfer.
- Whether the proposal is a coherent part of the local authority's housing strategy, and how far the transfer will help meet the future housing needs of the area.
- Whether the transfer provides value for money.
- How far transfer will contribute to achieving the Government's other housing, social and economic objectives, greater involvement of the private sector and regeneration of the most deprived areas.
- Whether the transfer will deliver increased diversity, a better housing service for tenants, and greater tenant participation in the management of their homes, including opportunities for tenant-controlled organisations.
- The relationship between the landlord taking over the stock and the local authority and the extent to which they reflect the communities they serve.
- Whether there is long-term demand for social housing in the area, if it is likely to be sustainable and, if not, how far the proposals are capable of responding to future changes.

MODERNISING THE STOCK TRANSFER PROGRAMME

7.23 These key criteria for future stock transfer proposals reflect our wider objectives of providing choice and tackling social exclusion. They represent a change in emphasis from previous years in a number of respects.

- **We are looking for a greater emphasis on community regeneration, particularly as more urban authorities contemplate transfer.**

Registered social landlords who take over transferred housing must work closely in partnership with local authorities, Regional Development Agencies and other key local players in forging and implementing plans for regeneration and, where appropriate, a wider urban renaissance. The local community should participate at every level, including – where appropriate – tenants having a majority on the governing body. The scope for community-based and black and minority ethnic registered social landlords to take on the ownership or management of parts of the stock should be considered. Whatever transfer vehicle is selected, the full involvement of tenants in the renovation and management of the stock is required.

- **We want to see a more strategic approach to tackling changes in demand.**

Local authorities should carry out a proper assessment of the long-term demand for social housing and other forms of tenure including home ownership, as part of their assessment process. They should develop a strategy and business plan for the new landlord to cope with the changing market. In areas of high demand for social housing such a strategy might be based on growth. However, it may also include a strategy for dealing with “pockets” of unpopular housing, which may be particular types of stock or certain types of estates which are more problematic to let. This could involve radical options, such as remodelling the stock, or demolishing and replacing it with different types of units. Where demand for social housing, or for housing overall, is falling the strategy should reflect the reduction in the housing stock required. The local authority and the new landlord will be expected to work in partnership to address these problems. In some cases it will be sensible for the council to retain the stock that has no long-term demand and to dispose of the sites for redevelopment or

community use. Alternatively it might be appropriate to transfer the stock and for the new landlord to carry out the demolition and to develop the land. We want to see landlords who have the vision and flexibility to adapt as market conditions change.

- **We would like to see greater competition within the transfer process.**

Competition can help extend choice and diversity for tenants. There is usually competition between potential lenders for the opportunity to fund particular transfers. Except where a community-based housing association is being established, we do not believe it to be healthy that a single registered social landlord should be identified as the only route to transfer. Instead, we believe there should be scope for registered social landlords to bid against each other for the chance to acquire and manage particular authorities' stock. This competition should extend to the price to be paid and the services to be provided. In approving transfers, we will look for evidence of such competition, and of tenant involvement in the selection process, as well as consistency with the principles of good procurement practice.

- **We want to ensure that the transfer of stock results in better services for tenants.**

Transfer can deliver improvements to the quality of housing, involve tenants more in the management of their homes and create a more diverse range of housing providers. But it is not sufficient to depend on these changes to improve services to tenants. Transfer proposals should demonstrate clearly the improvements over the long term in the services that will be available to tenants.

- **We want to move housing management away from large-scale monopoly landlords.**

Tenants should be given the opportunity to experience, and participate in, a substantive change of culture in the management of their housing. Transfer will not achieve the Government's objectives if it entails replacing a large monolithic local authority landlord with a large monolithic registered social landlord. That is why the Government's Transfer Guidelines say that Ministers do not expect more than 12,000 dwellings to be transferred to one new landlord. This is not an absolute ceiling. Rather, it signals our view that the standard of service delivered by a social landlord is likely to be enhanced if the number of homes transferred to any single landlord is not too great and if there is diversity in the ownership and management of the social stock in large urban areas. A social landlord should be big enough to be able to afford good quality staff but flexible enough to be responsive to local needs and circumstances.

- 7.24 Various urban authorities such as Coventry, Tameside and Birmingham, which have tens of thousands of dwellings, are developing imaginative solutions to enable their stock to be separated into a number of manageable and sensible clusters. This may mean allowing transfer initially to a single new landlord in order to make possible a single ballot, followed immediately by onward transfer to sensible sized registered social landlords. In certain circumstances, the registered social landlords may be brought together in a group structure or a federation. This would enable them to compete with each other (and with other existing local registered social landlords) in terms of quality of service to tenants, and bring the benefits that smaller community-based landlords, such as black and minority ethnic registered social landlords, can provide.

- 7.25 Transferring stock through a single new landlord to a group or structure where the ownership is leased to a range of registered social landlords will provide a range of benefits. But such a structure may not be the best means of providing social housing in an area in the longer term. The type and nature of social housing landlords has changed considerably over the last ten years and will no doubt continue to change into the future. It is therefore important for asset-owning landlords to have a real stake in the ownership and management of their stock and a high degree of independence (that is, control over rent-setting, service delivery standards, and so on). Of no less importance is that landlords recognise from the outset that such a structure should be flexible and have the capacity to change and split apart. In some cases it may be necessary to build in a timetable for changing the nature of the arrangements. We will be looking for legal and financial arrangements that allow for change and demerger in the future.
- 7.26 Chapter 10 of this Green Paper discusses our proposals for the future level and structure of rents in the social housing sector, and invites comments on three options in particular. We recognise that registered social landlords which have acquired local authority stock on transfer will be constrained both by their business plans and by rent guarantees given to their tenants. Moreover, a number of local authorities who are on the 2000 transfer programme will have prepared their business plans for transfer and may have consulted their tenants without knowledge of our rent re-structuring proposals.
- 7.27 Accordingly, we would expect existing transfer registered social landlords, and those which will take over stock from authorities on the 2000 transfer programme, to honour the commitments they have given. Beyond that, however, we would expect them to make as much headway as possible towards re-structuring their rents in line with our proposals over the next 10 years. We will also expect local authorities which apply to transfer on the 2001 programme, and in subsequent years, to take account of our rent re-structuring proposals in preparing their business plans and to plan for rents to converge within 10 years with the average registered social landlord re-let rent in their area which the rent restructuring proposals imply.

IMPROVING THE TRANSFER PROCESS

- 7.28 In August 1999 we issued two consultation papers which aimed to improve the transfer process. One was about dealing with overhanging debt and altering the levy applied to large scale voluntary transfers. The second canvassed views about changing the administration of the transfer programme.

OVERHANGING DEBT

- 7.29 Transfer has not always been a realistic option for all local authorities. A minority of authorities whose capital receipt from the sale of the property (and associated assets) would be insufficient to cover all their housing debt have, in effect, been excluded from transfer under the rules which operated in the past. Following consultation about a remedy, we announced last December that we would implement the option favoured by the majority of respondents, namely a one-off special payment to help the relevant authorities to redeem their debt. The first authority to benefit from this change, Burnley, transferred on 10 March.

CHANGING THE PROGRAMME ADMINISTRATION

- 7.30 A further constraint on the ability of authorities to transfer their housing stock is the requirement to complete the transfer within one financial year. This places significant burdens on the local authority, the acquiring registered social landlord and a range of private sector organisations involved in the transfer process. Our consultation paper sought views on using powers in the Deregulation and Contracting Out Act 1994 to amend the housing transfer programme legislation. We propose, subject to Parliamentary approval, to enable a transfer programme to extend over two financial years, thereby giving authorities more time to develop detailed proposals before they consult their tenants and complete the transfer. (We would expect a transfer to take place no more than six months after the ballot.) This will also help the taxpayer by yielding better value for money, because deals will no longer be compressed into the last few months of the financial year.

THE LSVT LEVY

- 7.31 Since 1993, a levy has been imposed on the capital receipts arising from sale (over and above the debt associated with the housing transferred), to compensate for some of the long term public expenditure costs of transfers. The current rate at which the levy is applied is 20%. We invited views on whether the levy should continue to be calculated at a flat rate applied to the excess receipts. Our consultation paper put forward a number of alternative approaches to the way the levy is calculated. Some of these would require primary legislation to bring into effect. We have already announced that we do not propose to change the levy for the 2000 transfer programme and will be consulting further on the details of any changes we propose to make for the 2001 transfer programme.
- 7.32 Our consultation paper also considered whether it was right to continue collecting a levy on receipts from future sales of transferred stock under the tenants' Right To Buy. These receipts arise from sharing agreements whereby the proceeds of sale are split between the authority and landlord. The sharing agreements normally cover a period of about 20 years. We do not consider it to be in the spirit of good public administration to continue imposing the administrative burden of paying the levy, and we informed the local authorities affected last January that we would not collect the levy on Preserved Right to Buy receipts received after 1 April 1999. In future local authorities will benefit from the whole of their portion of the receipt.

STAMP DUTY

- 7.33 New Stamp Duty reliefs are being introduced for transfers and leases of land and buildings to registered social landlords. Many such landlords are charities and benefit from the general Stamp Duty relief for charities. The new reliefs will also exempt:
- all transfers to resident-controlled registered social landlords from whatever source;
 - transfers between registered social landlords;
 - transfers to registered social landlords from local authorities and Housing Action Trusts;
 - acquisitions by registered social landlords that are assisted by public subsidy, including Social Housing Grant.

FURTHER IMPROVEMENTS

- 7.34 We have set out a number of improvements which have been made to the transfer process. Our aim is to ensure that stock transfer is an option that is available for all authorities to consider with their tenants. We will be conducting a review later this year to consider whether any further improvements could be made to the way we administer the process. We will also consider whether there are any other issues, such as the problems that can be caused by debt redemption penalties, that could be addressed through changes to the transfer process.

Other approaches



Alma House, Hackney: 1999 Housing Design Award. The first phase of a scheme to re-tune an early sixties estate for the 21st Century, designed by PRP Architects. The Awards are sponsored by DETR, NHBC, RIBA and RTPi. Photo: Phil Sayer.

7.35 Even at an enhanced rate of stock transfer, the amount of housing remaining in local authority ownership will be significant for many years. For stock that remains in local authority ownership, we want to ensure that there are opportunities for:

- the separation of local authorities' strategic and landlord functions;
- the creation of new management organisations, more focused on and better able to respond to the needs and aspirations of tenants; and
- the backlog of renovation and modernisation work to be tackled over a faster timescale.

- 7.36 We want to see authorities who retain ownership of housing deliver high quality housing services for their tenants. For that reason, we increased the resources going to council housing in the Comprehensive Spending Review. We intend to build on that by giving local authorities extra scope to borrow where they can demonstrate excellence in the performance of their housing responsibilities, and have separated their strategic and landlord roles.

Arms-length management companies for local authority-owned housing

- 7.37 Local authorities are already encouraged to separate their strategic role from day-to-day management of stock. One way to achieve this would be to set up a company, controlled or influenced by the authority itself, to manage their housing. However, under present arrangements, unless the ownership of the housing is transferred to the local housing company (effectively creating a new registered social landlord), then the company is subject to the controls on capital expenditure that apply to local authorities.

7.38 In addition to raising the level of public investment for housing, we are ensuring that local authorities invest their housing resources more efficiently and strategically and that their housing services to tenants meet demanding targets for improvement. This means more money for local authorities in return for modernisation. Our key initiatives include Best Value, a new Housing Inspectorate from 1 April this year, a single pot for local authority housing capital, and the new financial framework to ensure a more business-like approach to management and accounting for local authority stock.

A NEW OPTION

7.39 We now propose an additional option for financing capital investment in housing that remains in local authority ownership, where an authority is delivering high-quality housing services, is making effective use of resources and has put its housing management at arms-length. Our aim is to enhance performance across the local authority housing sector. The key feature of this option would be that the best-performing authorities would be able to retain and use more of their rental income to finance borrowing for investment in stock improvements. This expenditure would be in addition to the credit approvals received from central Government through the annual Housing Investment Programme (HIP) process. As with the stock transfer programme, only a small number of authorities would be able to pursue this option in any one year.

7.40 This would enable the best local authorities to generate additional investment in their stock. An authority will only be considered for this option where it has:

- established an arms-length management company to manage its housing stock and associated investment;
- demonstrated a high level of performance as measured against the Best Value national housing indicators, and an 'excellent' rating following a Best Value housing inspection;
- demonstrated sound financial planning and management and long term financial viability through a high quality business plan; and
- provided a clear plan showing how it proposes to move to a structure of rents and a lettings scheme that is in line with the reforms agreed following this Green Paper.

7.41 Measures will be put in place to ensure that authorities which pursue this option continue to achieve demanding new targets under Best Value. We will work up the details of this option over the next few months as part of the Spending Review and in the light of responses to this Green Paper. We will consult further on our proposals.

The Private Finance Initiative

7.42 The Private Finance Initiative (PFI) provides an alternative to stock transfer, through which private finance can be used to improve the condition and management of local authority homes. Authorities enter into long-term service contracts with private sector providers under the PFI. Provided an authority can demonstrate an appropriate transfer of risk to the private sector, the investment made is not subject to public expenditure controls.

- 7.43 PFI contracts encompass early refurbishment works as well as continuing management, maintenance and repairs services. The authority defines the standards it requires in the form of outcomes rather than inputs, and potential private sector providers compete for the contract and raise the funds to do the work. Payment by the authority is on a performance basis and in the form of annual service fee payments rather than initial capital expenditure.
- 7.44 Tenants remain tenants of the local authority and play their part in defining and monitoring the performance standards of the PFI contractor. The PFI approach is being piloted in eight housing pathfinder schemes. The purpose of the pathfinder exercise is to find out where PFI works best and to develop good practice and common procurement approaches on which other authorities might build. We expect PFI to establish itself as an option that many authorities will want to consider as part of their investment strategy, and we will be considering future levels of support for it during the current Spending Review.

Better management and tenant empowerment

- 7.45 Investment to improve housing must go hand-in-hand with improvements in the quality of housing management. Currently, that quality varies widely. We have put in place major policy changes that are coming into effect as we enter the 21st Century. Changes to local authority housing finances will require councils to take a long-term more business-like approach to the management and maintenance of their housing, and give them the means to plan ahead and to achieve this step-improvement.
- 7.46 The Best Value regime, together with the framework of performance indicators and targets, will drive continuous improvement in the performance of all authorities and registered social landlords. Integral to best value are the tenant participation compacts that are being introduced by councils and tenants from April 2000. These will empower local authority tenants, giving them a real say in the management of their homes. We are looking, similarly, for an equal involvement of tenants of registered social landlords in the management of their stock. Stock transfer, the Private Finance Initiative, and the creation of arms-length management companies all provide opportunities for further improvements in housing management and tenant participation.
- 7.47 A number of Policy Action Teams were set up as part of the Social Exclusion Unit's work on neighbourhood renewal. One of the Teams (PAT5) looked at housing management. It concluded that a variety of actions were necessary, ranging from extending on-the-ground management to improving training, if performance is to be raised to the level of the best. The Policy Action Team on Unpopular Housing (PAT7) also made a number of recommendations on housing management. We have already increased the resources available for housing management after several years in which they were frozen, and are following up the recommendations of the Teams with all the bodies involved.
- 7.48 The effective delivery of these policies will be further underpinned by the new Housing Inspectorate, which will inspect every housing authority over a five year cycle; the Housing Investment Programme process; and the powers available to the Secretary of State under Best Value for tackling failing services. We will not hesitate to use the sanctions available to us against poor performers.

- 7.49 Local authorities are responding to these new regimes. Registered social landlords should also take on board the rigours of Best Value and incorporate greater tenant input to their decision-making processes. The Housing Corporation has begun to develop its best value and tenant participation guidance and recognises that further development is necessary. Meeting tenant priorities requires organisational cultures that actively seek tenants' views through a variety of channels and build these into decision-making processes. The Housing Corporation is working up proposals to support and develop different types of resident control, including tenant management and full ownership models, such as housing co-operatives, particularly in the context of regeneration initiatives and stock transfers from local authorities.
- 7.50 Registered social landlords, including those with stock transferred from the local authority sector, should be subject to an inspection regime as rigorous and testing as that operated for local authorities by the Housing Inspectorate. The Housing Corporation will need to adapt its regulatory framework to promote further efficiencies in management and responsiveness to tenants by registered social landlords.

Conclusion

- 7.51 We want to see a step change in the performance of all social landlords and in the quality of social housing. We welcome your views on our proposals for achieving this, including stock transfer, arms-length management companies, the Private Finance Initiative and rigorous application of Best Value and tenant participation principles.

CHAPTER 8

Providing new affordable housing

- 8.1 Our policies for meeting future housing requirements are set out in planning guidance (“Planning Policy Guidance note 3: Housing”) and will be covered in our Urban White Paper. This Chapter of the Green Paper focuses on the delivery of new affordable housing – that is, housing that is either let at sub-market rents or sold at prices at the lower end of prevailing market levels.
- 8.2 Responsibility for decisions on new housing provision – how much, where, and how much should be affordable – is being devolved more to local authorities. This is in line with local authorities’ obligations to consider and meet the housing needs of their communities (as discussed in Chapter 3). Regional planning bodies are responsible for deciding the overall number of additional houses for which provision should be made, taking account of the Government’s latest household projections, the capacity of urban areas to accommodate more housing, and other factors.
- 8.3 We are also encouraging the development of regional housing statements, drawn up jointly by the Government Offices for the regions and Housing Corporation regional offices, in consultation with local authorities and others.
- 8.4 In addition to identifying the wider housing needs and priorities of their communities, individual local authorities’ housing strategies and local plans should identify the proportion of new housing in their own areas which should be affordable.

Policy aims

- 8.5 Our policies support the development of new affordable housing in line with local needs and priorities. We want to see better links between supply and demand at the local level, higher standards of quality, design and efficiency, and better integration of social and private sector housing.

Catering for a range of housing needs

- 8.6 Policies for affordable housing must cater for a range of needs:
 - for people whose incomes are well below the levels required for sustainable homeownership and who are likely to need to rent their homes on a long term basis;
 - for people who aspire to homeownership but can only afford properties in lower price ranges; and

- for people with special needs who may require both subsidised accommodation and appropriate support in order to live in it successfully.

Catering for variations between regions

- 8.7 Policies must also cater for wide variations between regions in the need for additional affordable housing. In London and many southern urban and rural areas, high demand for housing coupled with high house prices has placed acute pressure on the social housing stock owned by local authorities and registered social landlords. In addition, many people earning reasonable incomes face difficulties in finding properties which they can afford to buy. The long term success of these areas could be adversely affected if key workers, such as teachers, nurses and others in modest income employment, are unable to find accommodation that meets their needs and aspirations.
- 8.8 In some other regions the picture is very different with little or no overall shortage of social housing and house prices at levels which allow people on quite modest incomes to move into homeownership. Even in these regions there are areas, including rural villages, where house prices are relatively high and there is excess local demand for the available social housing. But in general, the case for investing in affordable housing in such regions relates more to the need to replace or refurbish existing dwellings that are no longer capable of meeting the needs of the community. Such investment will often form part of a wider programme for the regeneration of an area.

Ensuring a better mix of housing types

- 8.9 Policies for affordable housing must ensure a better mix of housing types and tenures and avoid the residualisation of social housing and its occupants. It is important to provide a mix of housing types if we are to ensure a sustainable future for the large estates built in the past. It is equally important to ensure that diversity exists in all new housing developments. We must seek to develop social housing alongside housing built for homeownership and private renting. Large social housing estates have proved unsustainable. If communities are to grow and prosper, people need opportunities to meet their aspirations, including homeownership, in the areas where they have grown up. At the same time, such communities must be able to attract new people to join them.

Mechanisms for delivering affordable housing

- 8.10 The two main mechanisms for delivering affordable housing are:
- provision of public subsidy – Social Housing Grant – to support the development by registered social landlords of housing for letting at sub-market rents or for sale on shared or low-cost ownership terms; and



- the use by local planning authorities of their powers to require an element of affordable housing to be provided in the development of a site under the arrangements set out in “Planning Policy Guidance note 3: Housing” and DETR Circular 6/98: “Planning and Affordable Housing”.

Provision of affordable housing supported by Social Housing Grant

- 8.11 Social Housing Grant is provided through the Housing Corporation’s Approved Development Programme (ADP) and through local authority supported programmes. These will provide homes for rent or shared ownership for around 40,000 households in the current year. This is a reduction on the levels achieved in the earlier part of the decade and results from the substantial cuts in housing expenditure made by the previous Government in the mid-1990s.
- 8.12 In the last Comprehensive Spending Review we stabilised the level of funding for the ADP and moved it back onto a modest upward trend. However, most of the increased resources for housing were allocated to local authorities. They are using those extra resources, depending on their priorities, for repair and renovation of their own stock, the renovation of privately owned stock and the provision of new social housing by registered social landlords.
- 8.13 The extent to which local authorities provide funding for developments by registered social landlords varies widely between regions. In 1998/99 the major part of their expenditure on new social housing was focused on London, the South East, the South West and Eastern regions. This reflects the pressure for additional affordable housing in these regions.
- 8.14 With housing resources for local authorities set to increase significantly over the next two years, we expect local authorities in areas of high demand for social housing to review within their housing strategies the scope for increasing their support for developments by registered social landlords. We do, however, recognise the pressures that continue to exist for investment in existing housing. We will monitor local authorities’ performance in this area through the Housing Investment Programme (HIP) process.

The Approved Development Programme

- 8.15 The Housing Corporation’s Approved Development Programme continues to have a significant role in the delivery of new social housing. The future level of funding for the ADP will be considered in this year’s Spending Review in the light of our assessment of the need for additional social housing and other spending priorities.
- 8.16 The objectives for the ADP which we have agreed with the Housing Corporation are:
- to provide additional affordable housing in areas of economic and demographic growth;
 - to contribute to the regeneration of deprived neighbourhoods by helping to fund the refurbishment or replacement of existing housing, and

- to fund the provision of new supported housing to meet the needs of a wide range of vulnerable groups.
- 8.17 Following a consultation exercise last year, the Housing Corporation has begun a process of improving the allocation of the ADP so that it more effectively supports strategic housing investment priorities, both at a regional and local level. At present resources are allocated to local authority areas using a formulaic index of relative need, the Housing Needs Index (HNI). Every local authority area is guaranteed to receive an allocation of not less than 80% of the allocation indicated by the HNI. Under the new arrangements the HNI will continue to be used to distribute ADP resources between regions but the Housing Corporation will move progressively away from the use of the HNI for allocations within regions to local authority areas. The Corporation aims to complete this process by 2003/04.
- 8.18 We strongly support the move towards a more strategic allocation process for the ADP informed by Regional Housing Statements, which have now been produced in each region. The process must include close consultation with key stakeholders, in particular local authorities, Regional Development Agencies, Regional Planning Bodies and registered social landlords.
- 8.19 Since the HNI will continue to be used to allocate the ADP between regions it is important that the index accurately reflects the relative need for investment in each region. At present the HNI contains a range of measures reflecting current housing conditions and demand pressures. It does not, however, include any measures that reflect the prospective growth in demand for social housing in different regions.
- 8.20 We believe that the scope for developing a more forward looking indicator should be examined as part of a full review of the HNI to be carried out with the Housing Corporation, local authority associations and the National Housing Federation. The review should also consider the way in which the ADP's contribution to housing regeneration should be reflected in the HNI scores of different regions. Although the outcome of the review should not be pre-judged, the inclusion of a forward looking indicator of demand for social housing might be expected to lead to some redistribution of ADP resources towards regions facing higher rates of household growth.

Contribution to regeneration

- 8.21 Whether or not some redistribution of ADP resources between regions does occur, Social Housing Grant provided by the Housing Corporation and local authorities will continue to have an important role in helping registered social landlords to provide new or refurbished housing as a part of regeneration programmes.
- 8.22 In order to allow Social Housing Grant to contribute more flexibly to the regeneration of an area, the Housing Corporation is currently running pilots in five areas in the North West and North East. These pilots are testing the use of the ADP to fund the acquisition and demolition of derelict private sector stock that is threatening to undermine the viability of housing across a neighbourhood. Although local authorities would normally be responsible for such work, registered social landlords with a significant amount of housing in an area may be well placed to carry it out as part of a wider regeneration programme delivered in partnership with the local authority. The Government will consider whether to extend the use of the ADP more widely for this purpose in the light of the results of the pilots.

Contribution to homeownership and tenure mix

- 8.23 In addition to funding social housing for rent, Social Housing Grant also provides help for people to move into homeownership. We believe that there is now a strong case for a separate low cost homeownership initiative in areas where house prices are becoming increasingly unaffordable.
- 8.24 Our proposals for this are set out in Chapter 4. In parallel with this initiative, we believe that local authorities in areas of high housing demand should develop strategies to help people on modest incomes, including key workers, into homeownership through low cost homeownership schemes provided with public subsidy and under planning agreements with developers. We will provide further guidance to local authorities on this in future Housing Investment Programme (HIP) guidance and review their performance in the annual HIP allocation exercise.

Contribution of the planning system to the delivery of affordable housing

- 8.25 Our policy on planning and affordable housing is set out in “Planning Policy Guidance Note 3: Housing” and in Circular 6/98, referred to earlier in this Chapter. Local planning authorities are required to prepare development plans, which should include policies and proposals for meeting the housing requirement for their areas.
- 8.26 Where there is a demonstrable lack of affordable housing to meet local needs, local plans should include policies for seeking an element of affordable housing on suitable sites. These arrangements do not seek to prescribe how, or by whom, the affordable housing should be provided. However, in practice, developers generally work with registered social landlords to provide low cost rental and shared ownership housing and may also provide low cost housing for direct sale.
- 8.27 We believe these arrangements provide local planning authorities with significant opportunities to secure appropriate amounts of affordable housing within housing developments. Experience to date suggests that some local planning authorities are taking advantage of these opportunities and implementing very effective affordable housing policies, while the performance of others is much weaker. We expect all local authorities to develop effective policies in this area.
- 8.28 In order to assist in this process we have commissioned research into the ways in which different local planning authorities are implementing the policy at present. We will use this research to produce good practice guidance to help local authorities to apply the policy more effectively. The guidance should be ready next year. We have also introduced improved arrangements for monitoring the performance of local authorities and for the collection of data on the amount of affordable housing provided under planning agreements.

Promoting balanced communities

- 8.29 A joint objective of our planning and housing policies is to encourage mixed and balanced communities. Planning guidance (PPG3) for housing sets out how local planning authorities may seek to achieve this. Local authorities, as part of their strategic role for housing, and the Housing Corporation should normally seek to identify opportunities for providing mixed tenures and promoting mixed income communities within housing developments.
- 8.30 We would not expect schemes funded with Social Housing Grant to reinforce existing high concentrations of social rented housing. Where schemes are on, or close to, existing social housing estates, particular emphasis should be given to producing schemes that cater for a mix of households and income groups. This might be achieved by including shared ownership or low cost housing for sale within such schemes. Alternatively, or in combination, allocation policies might be used to achieve a mix of households within the social rented stock.
- 8.31 Some Social Housing Grant-funded schemes are not within existing concentrations of social housing. For these schemes also, we would expect opportunities for achieving mixes of tenure and incomes to be carefully considered. We have asked the Housing Corporation to monitor the extent to which ADP schemes form part of wider developments that contain a mix of tenures and incomes groups; and to address this issue in its assessment of scheme proposals.

Rural housing

- 8.32 Affordable housing in rural areas, as for other areas, is provided through Social Housing Grant funding from the Housing Corporation and local authorities and through the arrangements for planning and affordable housing. We expect local authorities to identify the need for affordable housing in rural areas and to include policies and proposals for its provision in their housing strategies.
- 8.33 We also have policies in place to ensure that the existing supply of social housing in rural areas can be retained for people who cannot afford to buy or rent in the private sector. The Right To Acquire, which allows some tenants of registered social landlords to buy their homes, does not apply in rural villages of fewer than 3,000 people. There are also re-sale restrictions under the Right To Buy in rural areas. Local lettings policies (discussed in Chapter 9) can also play an important part in meeting the needs of rural communities.
- 8.34 In order to ensure that sufficient priority is given to the needs of small communities, we have continued to set a rural housing target for the Housing Corporation's Approved Development Programme each year. The current target is that 3.4% of new approvals should be in settlements with a population of less than 3,000 people. This is in addition to affordable housing provided with local authority Social Housing Grant or other resources. It is also additional to affordable housing provided in rural areas with populations of more than 3,000 people.



- 8.35 The rural exception policy, set out in Planning Policy Guidance note 3 and Circular 6/98, supplements general policy on affordable housing. It allows local authorities to grant planning permission for small sites, within and adjoining existing villages, which the local plan would not otherwise release for housing, in order to provide affordable housing for local needs in perpetuity.
- 8.36 We are keen to promote innovative approaches to the provision of affordable housing in rural areas. The Housing Corporation has recently established a rural housing advisory group, which is reviewing current approaches to rural housing provision and the way in which the Corporation can respond more effectively to the housing needs of rural communities. We will consider the proposals produced by the advisory group.
- 8.37 Our Rural White Paper will set out our policies for housing in rural areas.

Efficiency

- 8.38 The Housing Corporation has a strong record of delivering social housing through its Approved Development Programme (ADP), although the programme has become more complex in recent years. The Construction Task Force's report, "Rethinking Construction", has suggested that there are major opportunities for improving the speed, quality and cost of construction projects. The Housing Corporation is playing a major role in implementing the Task Force's recommendations within the housing sector. It is doing so, in particular, by assisting in the establishment of the Housing Forum and by setting targets for a progressive increase in the proportion of the ADP which will be allocated to schemes that follow Task Force principles.
- 8.39 We are firmly committed to the implementation of the Task Force's recommendations within public sector construction procurement programmes. We will be reviewing with the Housing Corporation whether any changes are needed to the current arrangements, under which the ADP is allocated to registered social landlords through an annual bidding round, in order to facilitate implementation of the Task Force's recommendations. We strongly encourage registered social landlords to adopt the principles set out by the Task Force as a means of driving down costs and improving the quality and speed of delivery of new developments.
- 8.40 We also want to promote greater use of new housing construction techniques, such as prefabrication, through the ADP. This holds out the opportunity for significant improvements in the quality and speed of construction. The Housing Corporation has already provided funding for a number of demonstration projects involving prefabrication and the Housing Forum is also promoting the approach. Prefabrication requires long-term commitments for developers so that they have the confidence to invest in the necessary production facilities. We will therefore be examining with the Housing Corporation whether there are changes in the way in which ADP resources are allocated that would allow a higher proportion of the programme to be allocated to schemes that make use of prefabrication techniques. We expect to see progressive take-up of the technique over the next few years, for both social and private house building, as the benefits are more clearly demonstrated.

Conclusion

- 8.41 We aim to ensure the provision of affordable housing that matches local needs and priorities. We welcome your views on the proposals discussed in this chapter to match Housing Corporation funding more closely with local demand, to deliver greater efficiency in the development of new social housing, to encourage better integration of social and private housing and to assist more effective use of planning powers for affordable housing.

CHAPTER 9

Choice in social housing

- 9.1 This Chapter covers our proposals for modernising policies that affect people's opportunities to access social housing. They include policies for letting housing to new and existing tenants, for helping homeless people, and for the different forms of tenancies available in the social sector. Our objectives are to:
- empower people to make decisions over where they live and exercise choice;
 - help create sustainable communities; and
 - encourage the effective use of the nation's social housing stock.
- 9.2 Social housing plays a vital role in providing an affordable alternative for those who do not aspire, or cannot afford, to own or rent a home in the private sector. Local authorities and registered social landlords currently 'allocate' housing to people on their housing registers in accordance with their assessment of people's needs. However, for the reasons outlined in this chapter, people often have only a limited opportunity to express their own wishes about where they can live. We want to promote a more customer-centred approach, but without changing the fundamental role of social housing in meeting need.
- 9.3 In particular, we wish to encourage social landlords to see themselves more as providers of a lettings service which is responsive to the needs and wishes of individuals, rather than purely as housing 'allocators'. Most landlords already recognise this, but we are keen to develop these ideas further in order to put applicants at the heart of the decision-making process. It is important to take account of recommendations in the reports of the Policy Action Teams established by the Social Exclusion Unit in its work on neighbourhood renewal.

Lettings and Transfers: Aims of Reform

- 9.4 The aims of the reforms we propose for lettings and transfer policies are to ensure that they:
- meet the long term housing requirements of those who need social housing most, in a way which is sustainable both for individuals and the community;
 - adopt a simple and customer-centred approach, empowering first time applicants and existing tenants to make decisions in choosing housing which meets their requirements;
 - make better use of the national housing stock, by widening the scope for lettings and transfers across local authority boundaries, and between local authorities and registered social landlords;

- give local authorities more flexibility to build sustainable communities within the national context of extreme variations in local housing markets.

CHOICE

9.5 People need more than a property that is physically adequate to meet their needs. They also need to live where they feel at home with their neighbours, where they feel secure, perhaps close to family, friends, work, shops, schools, transport links and other amenities. Most authorities allow applicants to indicate a preference for areas where they might be prepared to live, in order to take some account of these links. But we believe that much greater weighting would be given to these factors influencing personal choice if individuals played a greater role in selecting their housing.



9.6 Even in the private sector, people cannot always live exactly where they would like. They must make choices. Choice implies a trade-off between people's needs and aspirations on the one hand, and the availability of housing they can afford on the other. Those who cannot afford housing in one area may have to look elsewhere, and are free to do so. But the more opportunity people have to decide these things for themselves, the more likely they are to feel ownership of the decision and to be satisfied with the outcome. And the more information they have on which to base their decisions, the better those decisions are likely to be.

9.7 We believe there is scope for applying similar principles in the social rented sector. Applicants for social housing who are more involved in decisions about their new homes are more likely to have a longer term commitment to the locality. This will promote more sustainable communities at village, town and city level. It will increase personal well-being, and help to reduce anti-social behaviour, crime, stress and educational under-achievement.

CONSTRAINTS ON CHOICE

9.8 There are a number of constraints within the social housing sector which have tended to limit the extent to which people have been allowed to exercise any say in their housing decisions. These include:

- Management pressures. Social landlords are naturally concerned to minimise rent loss through voids and the negative impact that empty properties can have on the community. Some do so by offering each vacancy to those with the greatest assessed needs, with penalties for applicants who refuse offers. In order to reduce the cost of temporary accommodation, the legislation currently enables local authorities to make settled housing available on a "one offer only" basis to households accepted as homeless. People feel forced into accepting grudgingly a valuable public resource that they might not want.
- Complexity of needs assessments. Authorities must give 'reasonable preference' to certain categories of people. Some landlords have adopted complex points systems for prioritising needs which attempt objectively to weight different needs in different ways. Some people may chase points in order to jockey for position. As others with higher priority move into and out of the list above them, people's positions may

fluctuate erratically. None of this is easy to explain to the people who are waiting. Resolving grievances takes time and effort.

- Restrictions on access and movement between areas. The priority given to allocating vacancies to those on the housing register can limit the scope for existing tenants to move, unless their needs are very pressing. Additionally, some people are denied social housing altogether through blanket exclusion policies. In particular, many social landlords restrict the availability of housing to those who are already living in the area. Moving may be difficult unless people can find someone to swap with them.

THE REGIONAL DIMENSION

- 9.9 The extent to which these factors have played a part in restricting choice has often reflected the widely different patterns of supply and demand which apply in different parts of the country. As the Social Exclusion Unit Policy Action Team report on unpopular housing has recognised, some landlords have difficulty filling vacancies in areas of low demand while others – especially in London – are struggling to cope with enormous demand pressures. The pattern is not clear-cut, with pockets of difficult-to-let property sometimes existing in areas of high demand.
- 9.10 These problems will not be solved overnight. We recognise the need for a flexible and incremental approach in order to ensure that social landlords are not placed in an impossible situation. For that reason we want to test our ideas for extending choice carefully, and in areas of high, as well as low, demand. In particular, we will be interested in the scope for promoting more movement across local authority boundaries to make it easier for new applicants and existing tenants in high demand areas to move into properties in areas where demand is lower.

WHO IS SOCIAL HOUSING FOR?

- 9.11 In considering the scope for widening choice, it is necessary first to consider the question: “who is social housing for?”. Social housing is a valuable resource that confers benefits such as low rents, security of tenure and the Right To Buy. It is supported by the public purse on the basis that it brings worthwhile benefits to the community that the private market cannot readily provide
- 9.12 We do not believe that social housing should only be allocated to the poorest and most vulnerable members of the community. However, if social housing was available to anyone who wanted it, there is a risk that it could be denied to those who had no other choice. In order to prevent this, we believe that priority for social housing should generally continue to be given to people in the greatest housing need and for whom suitable private sector housing is not an affordable option. However, we recognise that there may be occasions when it is necessary and desirable, for some wider community benefit, to allow exceptions to this.

EXCLUSIONS

- 9.13 We do not believe that anyone should be permanently excluded from social housing. We therefore propose to remove the power to impose ‘blanket’ exclusions from the housing register. Where some sanction continues to be justified (for example, as a deterrent to anti-

social behaviour), we propose to allow authorities temporarily to reduce the priority or suspend the applications of households on an individual basis. People would be given a clear indication of what they needed to do to get the restriction lifted.

- 9.14 We also propose to allow authorities to suspend applications from households who purposefully engineer their housing circumstances to gain a higher priority for re-housing. This might replace the test of “intentionality” which currently applies to homeless people (see below).
- 9.15 Any decisions to suspend applications would need to take account of the circumstances of the household in order to safeguard vulnerable groups such as those with mental or behavioural problems, or the children of the families concerned. We would expect suspensions to be exceptional and that other ways of managing problems or risk may be more appropriate in many cases. In any event, we propose that decisions should be open to review.

HOUSING NEED

- 9.16 Since meeting housing need remains the priority for lettings and transfer policies, problems which are best resolved in some other way, for example through the provision of social support services or the adaptation, or better management of existing housing, should not give people any greater priority for social housing. With this in mind, we suggest that any assessments of need for housing should consider whether the individual or family is:
- homeless (including those being housed under the homelessness legislation in temporary accommodation, as well as those who are roofless) or threatened with homelessness; or
 - living in housing conditions which (taking into account their personal circumstances, for example, age, health or vulnerability) are not reasonably tolerable, where these conditions can best be resolved through re-housing them (rather than, say, providing assistance to enable them to remain where they are); or
 - needing to move to a particular location for some reason where, if re-housing in that area were not possible, this would lead to undue hardship (for example, moving somewhere in order to secure or retain a job).

CUSTOMER-CENTRED CHOICE

- 9.17 There are a number of guiding ‘best-practice’ principles that we believe would give people a greater say in their housing decisions and help maximise their choice. Some of these principles already feature in many lettings schemes but we believe there is scope for their wider adoption. They are:
- People should have as much opportunity as possible for their views to be taken into account when they are seeking a new home.
 - Choice should be available both to new applicants and to existing tenants wishing to move. To limit void periods, people should be able to choose properties before they have become empty wherever possible.

- Choice should be free. There should be no penalty for those who do not want a property on offer (although the time allowed for choice may need to be limited in certain situations, as discussed later in this Chapter).
- Choice should be as wide as possible. Local authorities and registered social landlords should consider the scope for pooling their property and making it available to people from outside their own local area. Vacancies in areas of lower demand should be available to people in areas of higher demand, although priority might continue to be given to people who have a strong local connection with an area or a pressing need to move there. The flexibility to allow greater priority to local people would enable authorities in areas of high demand (including small village communities with a limited supply of affordable housing) to avoid any additional pressure being placed on their stock.
- Simple and accessible systems. People should be able to apply for lettings and transfers easily and know to whom they should turn for help.
- Choice should be well informed. People should understand what housing is available and what their chances are of getting it. Housing authorities (in conjunction with social services authorities where necessary) should give additional advice and assistance to those who might otherwise have difficulty finding or applying for housing suited to their needs.
- Choice for homeless people. A choice of settled accommodation is as important for homeless people as it is for those in urgent need on the waiting list, although choice may have to be more limited for homeless people in certain circumstances. These arguments are outlined in the homelessness section later in this chapter.
- Systems should be sensitive to local needs. Under Best Value, and Tenant Participation Compacts, local people and existing tenants should be consulted about local policies. Local lettings policies (discussed later in this Chapter) which restrict individual choice need to be well justified.

AN ALTERNATIVE TO POINTS-BASED SYSTEMS

9.18 We do not believe points-based assessment systems are an ideal way of ensuring that social housing lettings meet need in a sustainable way. Assessments take little account of people's own 'felt needs'. For this reason, some authorities are now moving away from points-based systems to more broad-brush 'banding' systems. The needs of everyone in each band are considered to be of broadly similar urgency. We believe there is scope for extending this idea. The banding could be as simple as:

- people with an urgent need for social housing;
- those in non-urgent need of social housing; and
- those with no particular need for it.

9.19 People with no particular need for social housing might include those who do not need social housing because they are capable of finding suitable housing in the private sector.

They would not normally get social housing if someone with greater priority wanted it. However, there could be exceptions to this rule under local letting policies (discussed later in this Chapter).

DECIDING BETWEEN COMPETING APPLICANTS

- 9.20 In order to decide between competing claims within these broader bands, there needs to be some determining criterion. In the case of first-time applications, this could be the time that the person has been waiting in that particular band. For existing tenants, it could be the time spent at their current address.
- 9.21 The advantage of this approach is that it would enable people to balance their own ‘felt’ need, as measured by the time they felt able to wait, against the availability of the properties they might be able to secure. In effect, waiting time would become the “currency” that those in the social sector could use to optimise their own decisions about where to live, taking into account all their needs and aspirations.
- 9.22 Since those in the highest needs band would have priority over those with lesser needs, there would be no question of the poorest or most vulnerable people having the worst choices. Of those with broadly similar needs, people who had put up with their situation the longest would have the best chance of securing a home which met their requirements.
- 9.23 We recognise that in areas of high demand the number of households within the urgent category will be significant. Authorities in such areas may decide to introduce additional bands to differentiate between demand priorities. However, the principle of giving priority according to the time spent in housing need remains valid.

INFORMATION AND ADVERTISING

- 9.24 People need information about the choices that are available to them. One way of achieving this might be through advertising. This might be targeted on particular groups, if authorities were confident that this would be an efficient way of attracting suitable applicants without raising expectations unnecessarily. But this implies some system for pre-identifying particular people for whom particular properties might be suitable, and for keeping careful track of changes in their needs and preferences.
- 9.25 Alternatively, landlords might prefer to advertise all their vacancies more widely. Eligibility criteria could be included in the advertisements and checked before an offer was made (so avoiding the need for pre-assessments). Authorities may wish to restrict the number of applications from each person in any period in order to control demand and avoid raising unrealistic expectations.
- 9.26 Advertisements could be included in a leaflet issued regularly with free local newspapers or distributed in other ways. Landlords are also urged to consider the growing potential for information to be made available on the Internet. Commercial organisations, as well as HOMES, might be interested in providing such services. As well as targeting individuals in their own homes, information could be made available in key public areas such as libraries, post-offices, town halls, advice centres and supermarkets.

- 9.27 An advantage of this approach is that it would bring information about the entire social housing market in an area (and perhaps beyond) much closer to the potential occupiers. They would choose housing in the same way as those looking for housing in the private sector, reducing their sense of dependency and social exclusion. Indeed, there could be scope for including good quality private rented accommodation (perhaps linked to a local accreditation scheme) within an advertising scheme. This could help people to make decisions about their options for re-housing well before their needs became acute.

LABELLING THE PROPERTY

- 9.28 Under a general advertising system, labelling could be applied to each property to indicate the type of household for whom it is most suitable – for example household size. Landlords who provide specialist housing for particular client groups, such as retired households, could label their property to attract suitable applicants. Labelling could also be used if there were any specific requirements placed on a property by the planning system, for example, as the result of a section 106 planning agreement for affordable housing, or the rural exceptions policy (see Chapter 8). Vacant properties that are especially adapted or suitable to meet special housing needs could also be earmarked in this way.



LOCAL LETTINGS POLICIES

- 9.29 People will not necessarily choose to move to an area that is already suffering from social stress. But this may depend on individual preferences and what other choices are available to them. Labels could therefore be used to impose restrictions on access to a property under a local lettings policy, for example in order to correct a significant social imbalance such as an excessive child density on certain estates.
- 9.30 Authorities may also wish to use local lettings policies to give priority for housing in defined areas to households who could help create more sustainable communities. These might include key workers, for example, even if this meant some degree of under-occupation. Authorities would need to involve other social landlords and the local community in any such local letting policies, as well as existing tenants. Care would be needed to ensure that policies were not unfairly discriminatory, either directly or indirectly.
- 9.31 Landlords may choose not to advertise all properties. They may need to earmark some for management reasons. Such reasons might include housing tenants who need to vacate their homes during regeneration schemes, urgent transfers for the victims of racial harassment, offering smaller homes to under-occupiers to make the best use of their stock, or providing temporary accommodation for statutorily homeless households. Lettings policies also need to be sensitive to the need to manage the risk which some people may pose to the community (for example, sex-offenders).
- 9.32 We will be looking at options for giving local authorities and registered social landlords new tenure flexibilities (discussed at the end of this Chapter) to provide housing for people on a short-term basis, where permanent tenancies might not be appropriate.

ACTIVE MANAGEMENT OF CHOICE

- 9.33 Under a lettings service that puts decision-making in the hands of customers, the role of housing professionals becomes less one of gate-keeper and more one of advisor and advocate. This would help households to make informed choices about their housing options, be it with regard to meeting needs within their existing home, or the opportunities available for re-housing. A more proactive service should be offered to those in urgent housing need in order to reduce the risk of homelessness. Housing and social services authorities should liaise with each other, and both should play an active role in helping the most vulnerable people to exercise their choice of suitable housing, with appropriate support services being provided where necessary. There is a role for voluntary sector agencies here too.

INFORMATION ON OUTCOMES

- 9.34 Applicants would be better able to make decisions under an advertising system if the outcome of advertisements were published. This would enable people to judge their own chances of success if they applied for a similar property in the same area. Such a system would also provide information to landlords about the demand for properties of different types in different localities. This could help inform strategic decisions on the allocation of resources to meet those demands, so reducing the risk of supply imbalances developing.

VACANCIES

- 9.35 We do not believe that extending choice need necessarily mean property remaining vacant for longer. People will not apply for property they do not want, so time spent making abortive offers would be saved. But if more choice means greater community sustainability in the longer term, any increase in re-let times may be a price worth paying in the short term.

IMPLEMENTATION

- 9.36 In view of the different levels of supply and demand for social housing in different parts of the country, not all aspects of the principles outlined above may be applicable in all areas. We do not propose to impose any particular scheme by statute. It is up to local authorities to determine what works within their locality after consultation with local people. Registered social landlords will be key partners in the development and operation of lettings services. We will be reviewing – with a view to strengthening – the current obligation on them to co-operate with local authorities in offering accommodation to people on authorities' housing registers.

PILOTING CHOICE-BASED SYSTEMS

- 9.37 We believe that authorities already have considerable scope within the existing legislation to adopt customer choice based lettings systems. Research currently being undertaken on local authority practice in allocations, transfers and homelessness reveals significant work already underway by a number of local authorities to reshape their lettings systems in line with many of the principles outlined above, which are based on those which have been developed and operated successfully in the Netherlands over the last ten years.
- 9.38 Harborough Council, in association with de Montfort University, is about to pilot a scheme based on this model in this country and we are very interested in the outcome. The key proposals are set out in the box below:

Harborough home search

From April 2000, Harborough District Council, with the support of the Centre for Comparative Housing Research at De Montfort University, is piloting a scheme based on the principles of the Delft Model of Social Housing Allocation. The emphasis is on providing customers with a greater degree of choice by advertising social rented properties owned by the local authority and the three registered social landlords operating in the district. The council hope to develop the scheme so that vacancies are advertised on a website, available over the internet.

Customers exercise choice by completing and returning coupons for individual properties where they meet the requirements of the property label. Simple and straightforward criteria are used in determining which properties are allocated to which households – length of time on the register for new applicants and length of existing tenancies for transfer cases. A high degree of transparency is built into Harborough Home Search as the results of lettings decisions are published. This also provides potential customers with information on the likely availability of different types of property in different locations.

Particular attention has been given to ensuring that vulnerable households are given additional preference and that the needs of households who are identified as unintentionally homeless are addressed. These households are given a priority registration card that they submit with their coupon for a property that has been advertised. This places the household at the top of the list for a specific property as long as the household meets the property label. A vital element in ensuring that the housing requirements of these priority needs groups are met is a comprehensive system of housing advice and assistance. Vulnerable and homeless households are thus given a much greater degree of choice than under traditional systems.

- 9.39 We recognise that this is only one model. Alternative models will need to be piloted in different areas before a full assessment can be made of what works. In order to test these ideas more widely, we intend to establish a small fund to support a number of pilot schemes. Bids will be invited from local authorities who wish to develop schemes that achieve our aims, including schemes that make innovative use of information technology to help tenants to choose their homes. Any pilot scheme will need to be evaluated fully.

Helping homeless people

- 9.40 Each year, over 100,000 households are re-housed by local authorities because they have become, or are about to become, homeless. But not all people are eligible for accommodation under the homelessness legislation. Some people, particularly where their homelessness is combined with other problems such as family breakdown, mental ill health or drink or drug abuse, end up sleeping rough. Our commitment to tackling rough sleeping is well documented and is summarised in Chapter 12.

9.41 Additionally however, in our Election Manifesto, we promised to increase the protection for unintentionally homeless people in priority need. Our proposals for meeting this commitment are outlined below.

AIMS OF REFORM

9.42 Our proposals for the reform of homelessness policy are intended to:

- ensure that unintentionally homeless people in priority need are provided with temporary accommodation until they obtain suitable settled accommodation (in either the public or private sector);
- broaden the definition of priority need to ensure our most vulnerable citizens are protected by the homelessness safety net;
- enable local authorities to use their own housing stock to provide temporary accommodation, without the current restriction that it may only be provided for two years in any three;
- give those housed in temporary accommodation a reasonable period in which they can exercise the same degree of customer choice of settled accommodation as is available to other people with urgent housing needs waiting on the housing register;
- allow local authorities greater flexibility to assist non-priority homeless households, particularly in areas of low demand, and
- encourage a more strategic approach to the prevention of homelessness and the re-housing of homeless households.

ROLE OF LETTINGS SCHEMES IN PREVENTING HOMELESSNESS

9.43 We are keen to ensure that the provisions for tackling homelessness are integrated effectively within the framework for choice, described earlier in this chapter. The rationale for extending choice of settled accommodation to homeless people is the same. However, we recognise that the pressures on temporary accommodation in some parts of the country – especially London – will impose constraints on the extent to which homeless people can be allowed free choice. This, coupled with the need to ensure that housing solutions are sustainable, calls for a more pro-active approach by social landlords to ensure that homeless people make the best of the opportunities available to them.

9.44 Our lettings proposals are intended to give people a wider choice of accommodation, perhaps over a wider area than they can at present, and also give them more opportunity to take early action to forestall the risk of homelessness arising. But, for many people, homelessness can arise with little or no warning. Under our lettings proposals, the urgency of their housing need would give them priority for settled social housing at least from the time homelessness was first threatened. In any event, people would have a period of time to find the alternative accommodation of their choice before they actually became homeless: they would not have to wait until they reached the top of the housing waiting list before their needs were considered.

THE HOMELESSNESS SAFETY-NET

- 9.45 We recognise that, for people suddenly facing homelessness, this period of time might not be long enough for them to exercise any real choice, especially in areas where demand for housing is high. We believe that the homelessness legislation should provide an effective safety-net for all such unintentionally homeless people in priority need. Its aim should be to ensure that they have somewhere to live while they continue to look for settled and sustainable accommodation in either the public or private sector.
- 9.46 Under our lettings proposals, people accepted as homeless and placed in temporary accommodation would still be regarded as being in housing need. We propose that they should have the same priority for settled social housing as those in urgent housing need on the housing register. However the period allowed for free choice may need to be limited, as outlined below.

CHOICE FOR HOMELESS HOUSEHOLDS

- 9.47 In areas of high demand for social housing, or where temporary housing is expensive, giving homeless people indefinite priority for settled accommodation may not be effective in managing the temporary housing stock. And even in low demand areas, local authorities may wish to encourage homeless people in temporary housing to move to settled accommodation for management reasons (to allow redevelopment of the local area, for example).
- 9.48 We therefore propose that local authorities should have discretion to determine the overall period for which homeless people in temporary accommodation are allowed choice of settled accommodation. Once this period had expired, they would be able to remain in temporary accommodation, and have the right to one single offer of suitable settled social or private sector accommodation (as under the current legislation), before the authority's duty came to an end.
- 9.49 In determining when the period allowed for choice should end, authorities would need to ensure that people first had a genuine opportunity to access settled housing of their choice in either sector. The period would vary according to the different needs of the households concerned, the availability of affordable accommodation in the area that is capable of meeting those needs, the turnover of such property, and the demand on the market from others with similar housing needs waiting on the housing register. In effect, one-offer policies would only apply to those who were not taking advantage of the opportunities available to them in either sector. This will require the active management of choice for homeless people as further outlined below.
- 9.50 If people knew from the outset that the period allowed for them to exercise free choice could be limited, we believe this would act as a powerful incentive for them to exercise their choice quickly in order to release their temporary accommodation for others. They would also need to understand that, if the period expired and they had to accept a single offer, their waiting time priority for choice of housing under the general lettings scheme would be reset to nil. This would discourage people in urgent housing need on the housing register from presenting themselves as homeless if they could reasonably avoid it, since their waiting time priority for social housing through the lettings scheme would continue to increase if they stayed where they were.

- 9.51 With this disincentive for people to present themselves as homeless, it may be possible to modify the rules on intentional homelessness. The issue now will be to ensure that anyone waiting for housing under a lettings scheme has no perverse incentive deliberately to make their housing situation worse in order to move into a higher needs band so as to gain priority for social housing (whether temporary or settled). We propose to introduce a provision to enable landlords to reduce people's priority where they have good reason to believe this to be the case.
- 9.52 In areas where there is no particular pressure on the social housing stock, there may be no reason why landlords should not permit homeless people to remain in temporary accommodation for as long as they wish, assuming that the cost of the temporary housing is no more than the cost of providing settled accommodation. They would then be able to find the settled accommodation of their choice in either the public or private sector.
- 9.53 In the light of these changes, we propose to remove the current restriction that temporary housing need only be provided for two years. We also propose to remove the 'two years in three' restriction on the use of local authority stock to discharge a local authority's homelessness duty.

DUTY TO HELP SECURE PRIVATE SECTOR ACCOMMODATION

- 9.54 Currently, local authorities have no duty to secure accommodation for unintentionally homeless people in priority need if the authority is satisfied that suitable private sector accommodation will be available for them in the district for two years. Instead they must help them secure that accommodation. We believe that temporary accommodation should be made available to all unintentionally homeless households in priority need. This section of the legislation would therefore also be repealed.

HOMELESS PEOPLE WHO ARE IN PRIORITY NEED

- 9.55 We believe that the current priority need categories should be retained. However, we propose to extend these categories to include homeless people who are vulnerable because:
- they have an institutionalised or care background (such as care-leavers, those leaving prison and ex-servicemen), or
 - they are fleeing harassment or domestic violence.

It will be for local authorities to determine vulnerability on an individual basis.

- 9.56 We will also ensure that all unintentionally homeless 16 and 17 year olds are treated as being in priority need, and that there is appropriate liaison between housing and social services, taking account (in the case of young care-leavers) of the provisions of the Children (Leaving Care) Bill when enacted.

HOMELESS PEOPLE WHO ARE NOT IN PRIORITY NEED

- 9.57 We believe that these proposals, taken together, would represent a significant step forward in extending the assistance given to unintentionally homeless people in priority need,

without creating any perverse incentives to people to present themselves as homeless. But we think there may be scope, at least in some areas of the country, to extend the homelessness safety-net further.

- 9.58 We therefore propose to allow local authorities a power to provide temporary accommodation for homeless people who, even under the above proposals, would not fall within a priority group. These might include, for example, childless couples or single homeless people who are not regarded as vulnerable. In order to avoid the risk of challenge in individual cases, we believe that authorities who wish to exercise such a power should first have to make a resolution to do so. This could cover all non-priority needs cases or defined groups, although we would propose to give guidance urging authorities to keep any restrictions to a minimum, having regard to their resources.
- 9.59 An alternative would be to require authorities to provide temporary accommodation for all non-priority homeless people where such accommodation was available in their area and was not required by other people in urgent housing need. Views on the relative merits of these alternative approaches would be particularly welcome.

ACTIVE MANAGEMENT AND PREVENTION OF HOMELESSNESS

- 9.60 As described in the section on lettings earlier in this Chapter, housing professionals will have an enhanced role to play in enabling households to exercise meaningful choice. Active management will be required to focus advice and assistance on those households who are most vulnerable and in the most urgent housing need to help them make informed choices about their housing options. However, we will also wish to consider whether the duties on authorities to provide advice and assistance to non-priority households could be usefully enhanced if local authorities are not required to secure temporary housing for them.
- 9.61 We propose to extend the homelessness prevention duty on authorities to cover advice on debt, budgeting, tenants' rights, helping people to remain in their own homes through adaptation or improvement of the property, as well as options for re-housing.
- 9.62 Homeless people often need very much more than just a roof over their heads. Many need additional support services. Housing authorities, in liaison with other agencies, will be required to provide advice and assistance to help them to access these support services. This should help homeless households to make a successful transition to their new home and prevent homelessness from recurring.
- 9.63 We are keen to see local authorities taking a more strategic approach to tackling the causes of homelessness and preventing its recurrence, in partnership with the voluntary sector and other bodies who have a role to play. Other initiatives emerging from our social exclusion agenda will also have a crucial role to play here and it will be important that the different strands of thinking are brought together coherently at a local level. We therefore propose to:
- require local authorities corporately to carry out an audit of all forms of homelessness, and the provisions available for meeting that need;

- consult locally on their findings, indicating the steps which they propose to deal with any problems;
 - incorporate their findings and proposed actions in their housing strategy.
- 9.64 In areas where homelessness is a widespread problem, we would encourage local authorities to develop a multi-agency approach to tackle homelessness as part of their overall housing strategy. In particular it would be important for housing authorities to consult with social service authorities. Any plan would be required, where appropriate, to include provision for the resettlement into the community of homeless people with special needs, for example young people, teenage parents, or those with drug or alcohol related problems. We would propose to give guidance to landlords on best practice in developing their homelessness strategies.
- 9.65 We would welcome views on these proposals.

New forms of tenure

- 9.66 We do not believe that the security of tenure enjoyed by social housing tenants should be reduced. There is, however, a strong case for reforms to reflect the changing nature of social housing and tenants' aspirations, and to enable local authorities and registered social landlords to make better use of their stock and meet tenants' needs.
- 9.67 Currently, most local authority tenants and tenants of registered social landlords whose tenancies existed before the 1988 Housing Act have secure tenancies. Tenants of registered social landlords whose tenancies began after the 1988 Act have similar rights under assured tenancies. There are two main differences. The first is that the majority of rights for assured tenancies are given on a contractual basis, whereas the rights for secure tenancies are set out in legislation. The second, is that assured tenants do not generally have the Right To Buy, although the number of assured tenants who do not have an opportunity to buy their own home is decreasing over time. The reasons for this decrease are the preserved Right To Buy on transfer, the Right To Acquire, and Voluntary Purchase Grants, all of which help assured tenants to buy their homes.
- 9.68 The Chartered Institute of Housing and others have argued that a single form of tenure, drawing on the best core features of both secure and assured tenancies, but also allowing additional rights to be negotiated to meet local circumstances, would present significant advantages for tenants and landlords. We believe there is merit in this proposal and will explore the benefits of, and options for, moving to a new single form of tenure. However, as discussed in Chapter 4, we do not propose any significant change to the Right To Buy.
- 9.69 We are keen to ensure that the rights of existing tenants and new tenants who have a long term need for social housing are not diminished. But we would also like to create new flexibilities for landlords to make better use of their stock in meeting the housing needs of their areas. This was one of the key recommendations of the Social Exclusion Unit's Policy Action Team on Unpopular Housing who concluded that:

“where there is unpopular housing, local authorities should be able to charge market rents and introduce more flexible allocations policies.”

- 9.70 Our proposals, which are based on the recommendations of the Policy Action Team, are to:
- allow landlords to let some of their properties at market rents in clearly defined circumstances where there is an excess supply of properties for people who need housing at sub-market rents;
 - encourage the use of existing stock to meet the housing needs of students and medical staff before new development is considered in areas of low demand;
 - provide local authorities and registered social landlords with the power to let properties on a short-term (assured shorthold) basis to people who do not have a long term need for social housing, without conferring the rights that are normally given to secure and assured tenants.
- 9.71 We will also consider proposals for other new forms of tenure. These might include “introductory assured shorthold tenancies” which could, for example, be suitable for tenants in foyer-type accommodation, and options to follow up our commitment to legislate to give same sex partners equivalent rights to succeed to a secure or assured tenancy as heterosexual couples.
- 9.72 Our aim is to move to new arrangements that provide security for tenants with a long term need for social housing and allow landlords increased flexibility to make best use of their stock.

Conclusion

- 9.73 This Chapter has set out our aims and proposals to ensure that tenants in social housing are empowered to make decisions and have real choice over where they live, to create sustainable communities, to strengthen the protection available for homeless people and to encourage more effective use of the social housing stock. We welcome your views on our proposals.

CHAPTER 10

Moving to a fairer system of affordable rents

Introduction

10.1 The provision of a wide range of good quality, affordable social housing will continue to form an essential part of our strategy to ensure that everyone has the opportunity of a decent home. This Chapter presents our proposals on the future level of social rents in England and options for reform of the structure of rents. Our aims are to:

- hold rents at an affordable below-market level;
- make rents fairer and less confusing for tenants;
- provide a closer link between rents and the qualities which tenants value in properties;
- give tenants the opportunity to take more responsibility for their choice of housing;
- reduce unjustifiable differences between the rents set by local authorities and by registered social landlords; and
- encourage better management by social landlords of their stock.

Influencing the level of social rents

10.2 In 1998-99, the typical assured private rent in England was about £75. By contrast, in April 1999 the average local authority rent of £44 per week was about 40% lower and the average registered social landlord rent (excluding service charges) of £52 was about 30% lower. We are committed to keeping social rents at an affordable level, well below private sector rents.

10.3 In reaching conclusions about the appropriate level at which we would like social landlords to set their rents in future, we have taken account of a range of factors:

- the affordability of rents for tenants;
- the impact of rents on work incentives;
- how efficiently below-market rents target help on people in greatest need;
- the impact on public expenditure; and

- the impact on the finances of social landlords, especially registered social landlords, who must be able to maintain their stock and meet their commitments to lenders.
- 10.4 The last Government pursued a policy of increasing social rents with the intention of reducing public expenditure and with little regard to the impact on affordability or work incentives for tenants. They argued that rent increases allowed help to be targeted on those in greatest need. Better-off tenants met the rent increases out of their own pockets while Housing Benefit “took the strain” for the poorer tenants. But this created serious problems of benefit dependency and work disincentives.
- 10.5 We have already introduced the national minimum wage and Working Families Tax Credit (WFTC) in order to tackle poverty, promote work incentives and reduce benefit dependency. Keeping social rents at an affordable level for working tenants has an important role to play in supporting our policy of promoting work as the best route out of poverty.
- 10.6 Inevitably, people who are not in work or who are on very low incomes depend on Housing Benefit to help pay their rents. The introduction of WFTC means that, at the current average rent level in the registered social landlord sector, most social tenants with children have to earn only around half the current average gross earnings of full time manual workers to avoid the need to claim Housing Benefit.
- 10.7 Although earnings and rents vary markedly between social tenants, it is clear that a significant increase in social rents would have a serious detrimental impact on the work incentives of social tenants:
- it would cause more tenants to depend on Housing Benefit. For example, a 25% increase in social rents would increase the number of tenants on Housing Benefit by 75,000 who, as a result, would lose more than 70p out of each extra £1 they earn;
 - research has established that some tenants are deterred from taking work (especially casual or short-term jobs) because of concerns about whether and how quickly and easily they would be able to re-claim Housing Benefit if the job ended. Many are also unaware of the availability of in-work Housing Benefit payments. Higher rents, by bringing more people on to Housing Benefit, would increase the numbers facing these concerns – although our proposals for improving the delivery of Housing Benefit in Chapter 11 would help to counter such work disincentives;
 - higher rents would also reduce the incentive for some tenants to return to work. Many tenants may be reluctant to take certain jobs if the take home pay offered is only slightly higher than the amount they would receive in benefits out of work. WFTC has reduced the numbers in this position but an increase of 25% in social rent levels would reverse some of these gains.
- 10.8 Nor would a significant increase in social rents yield much in public expenditure savings. Even if local authority rents rose by as much as 25%, the increase in annual gross rental income of £1.8 billion would be offset by extra Housing Benefit spending of £1.4 billion. Increases in registered social landlords’ rents might actually have a net cost for the Exchequer; they too would result in extra Housing Benefit spending but there is no mechanism by which registered social landlords’ extra rental income could be used to relieve Exchequer spending.

- 10.9 Finally, we see little merit in the argument that rent increases allow help to be targeted on those in greatest need. For example, the net public expenditure saving from an increase as large as 25% in social rents would finance an increase in Income Support or Jobseekers Allowance of around only £2 per week.
- 10.10 Some commentators argue for a reduction in the level of social rents as a way of helping the worst-off. We do not find these arguments persuasive either. A reduction of 25% in both local authority and registered social landlords' rents would cost the Exchequer about £700 million a year in funding the lost rental income, even after allowing for savings in Housing Benefit spending. Yet the gainers would not be the tenants with the lowest incomes – they are already in receipt of Housing Benefit and would see it reduced pound for pound with the fall in their rent. Instead, the gainers would be better off tenants not receiving Housing Benefit, including those with incomes above the national average.
- 10.11 These considerations about work incentives, public expenditure and targeting support on those in most need persuade us that there is no case for substantial changes, either upwards or downwards, in the present average level of social rents. However, there is a need for reform of the structure of social rents – that is how rents vary between the registered social landlord and local authority sectors, between different landlords and between individual homes.



Problems with the current structure of social rents

- 10.12 If we are to achieve real improvements in social housing, we need a structure of social rents which tenants see as fair and which complements choice-based lettings schemes. Properties that are larger, in a better state of repair or in more attractive locations are more popular with tenants. In principle, therefore, we believe they should have higher rents than properties without these advantages. There should not be arbitrary differences between the rents of similar properties in a locality, just because some are local authority-owned and others are registered social landlord properties. Nor should there be arbitrary differences between similar properties in neighbouring areas. This is not always the case at present.
- 10.13 For example, in a recent report, the Chartered Institute of Housing cited two adjoining London boroughs where one charges £15 more each week than its neighbouring borough for properties of a very similar standard. And in a large southern city there is a £24 gap in the rent charged each week by the local authority and a local registered social landlord for otherwise similar three bedroom homes. Tenants see that it is unfair when there is no apparent explanation for the pattern of rents in a locality, whether in terms of relative property quality, relative attractiveness of location or relative running costs.
- 10.14 These anomalies reflect when and where social housing has been built over many decades, the many changes in the capital and revenue subsidies that have been given to social landlords and the different rent policies pursued by individual social landlords. The resulting structure of rents is extremely confusing to tenants and landlords alike. It cannot

be described as fair and will not support our attempts to offer more choice, encourage tenants to take more responsibility for their housing and promote better management by social landlords.

Influencing the future structure of social rents

10.15 We have looked at a wide variety of options for bringing greater coherence to the structure of social rents, including:

- setting rents based on their affordability for individual tenants;
- points systems;
- discount on market rents;
- property values;
- following the Housing Revenue Account (HRA) Guideline Rent system;
- setting rents so that they cover landlords' running costs with an additional element based on property values.

AFFORDABILITY FOR INDIVIDUAL TENANTS

10.16 Social rents could be based solely on the income of individual tenants, without any regard to how size, condition and location vary from one property to another. For example, rent could be a fixed or rising percentage of a tenant's income. We are committed to ensuring that social rents are affordable but we believe that this is best reflected through the average level of rents, rather than through the rents of individual properties. And, in any case, Housing Benefit already covers up to 100% of rent for those on the lowest incomes.

10.17 One of our key objectives is that social rents should to some extent reflect quality differences – supporting our attempts to offer more choice to tenants, to encourage them to take more responsibility for their housing and to encourage better management by social landlords. Linking rents solely to the incomes of tenants would not achieve this objective but would lead to an increase in the cost and complexity of setting and collecting social rents and would make the rental income of social landlords less predictable.

POINTS SYSTEMS

10.18 Many social landlords use points systems to set rents. Typically, more bedrooms and newer dwellings get extra points and hence higher rents. Other factors can include central heating, a garage, the state of repair and so on.

10.19 These systems provide the sort of clear and sensible link between rents and the quality of rented homes that we are looking for. Their drawback is that they are inflexible and can take account only of features that can be easily measured. They may therefore sometimes not take into account some factors which tenants see as important, in particular the popularity of location.

DISCOUNT ON MARKET RENTS

- 10.20 We have already said that the average level of social rents should remain around its current level – a discount of 30% to 40% from average rents charged by private landlords. This discount could be used to set all social rents, with individual social rents being set 30% to 40% below that of their nearest equivalent private rented sector home.
- 10.21 However there are substantial practical difficulties with this option. In many areas there are not enough privately rented properties similar to social rented properties to provide the necessary market evidence. Moreover, the factors influencing the pattern of private rents vary considerably across the country. Private rents would not therefore provide a fair or consistent benchmark for deriving individual social rents.

PROPERTY VALUES

- 10.22 An alternative way of reflecting differences between the size, condition and location of properties would be to have some regard to property values in setting rents. Higher value properties would attract higher rents, although average social rents would continue to remain well below private rent levels. This option is illustrated in Appendix A. Some local authorities already use this approach and it has the merit of taking account of the real trade-offs that people make between the size, condition, location and other features offered by different properties. It also takes account of some of the features that can never be picked up by points systems.
- 10.23 Setting social rents strictly *pro rata* to property values, however, would make social rents unaffordable in some regions. This is because variations in property values by region are substantially greater than variations in earnings by region. For example, the value of the average local authority property in London is about 2.5 times that in the North West but average earnings are only about 1.4 times greater. People on low incomes in London and the South East would not be able to afford the rents resulting from this rent setting method.
- 10.24 We do not want the social rented sector to follow the more extreme trends in the owner occupied market. We do want to ensure that the rents of individual properties with very high values in any region remain affordable. Moreover, private landlords do not set rents solely by reference to property values. While we consider that social rents should reflect variations in size, location and condition, property values cannot be the only consideration in setting social rents.

FOLLOWING THE LOCAL AUTHORITY HOUSING GUIDELINE RENT SYSTEM

- 10.25 The existing local authority housing finance system – part of the Housing Revenue Account (HRA) – sets guideline average rents for each local authority using an approach that balances regional earnings and property values. It therefore provides a method of taking account of property values while also having regard to the affordability of rents for tenants. This formula could be used to set individual rents for all local authority and registered social landlord properties. It would thereby make progress towards our objective of allowing rents to reflect differences in the size, condition, location and other features of properties, while having full regard to affordability in each region and avoiding the rent of any particular property being excessively high. This is illustrated in Appendix A Table 3.

10.26 The main features of this option are:

- it is based directly on a consideration of affordability in each region;
- compared with using property values only, it reduces the rents of the highest value properties;
- it sets a floor to rents which varies only slightly between regions;
- in each region, rents vary by the same amount (around £5 per week) for each £10,000 of property value.

However:

- rents on properties with the highest values would be relatively high – extending to well above £100 per week in some instances;
- some individual registered social landlords with mainly low value properties in their stock would face reduced rental income and could encounter financial difficulties as a result;
- although it is based on principles which are familiar to local authorities, the scheme may not be easy to explain to tenants.

REDUCING THE IMPORTANCE OF PROPERTY VALUES

10.27 Some of the drawbacks of setting individual rents using the HRA guideline rents approach could be ameliorated by placing more weight on regional earnings and less on property values. This is illustrated in Appendix A Table 4. The key differences from a scheme with equal weights on earnings and property values are:

- it further reduces the rents on high value properties – only a very few would exceed £100 per week – but it also increases the minimum rent level by an average of around £6 per week;
- rents will change by around £3 per week for each £10,000 increase in property value;
- there may be some “low demand” areas with low property values to which it is difficult to attract social tenants even at the lowest rents generated by this variant.

MEETING RUNNING COSTS

10.28 A rather different approach has been advocated by Professor John Hills in a recent paper *Reinventing Social Housing Finance* published by the Institute for Public Policy Research. Here the minimum rent of a social property is the amount required to meet its management, maintenance and major repair costs – running costs for short. Running costs would not be the actual costs of social landlords but would be based on estimates of reasonable costs, which would vary by region and type of property.

10.29 On top of this minimum (and these are purely hypothetical illustrations), each £10,000 of property value up to the national average for the social stock of about £44,000 might add £3.75 to weekly rent, equivalent to a 2% return on capital. Each £10,000 in excess of the national average might add £1.75 to weekly rent, a return of a little under 1%. The final pattern of rents would be consistent with our target for the average level of social rents. Again Appendix A provides an illustration.

10.30 The main features of this option are:

- compared with using property values only, it reduces the rents of the highest value properties;
- it sets a floor to rents. This floor would vary by type of property in each region;
- rents would vary by the same amount for each £10,000 of property value up to the national average for the social stock and beyond that at a substantially reduced rate;
- tenants should readily understand the principle of meeting running costs and then collecting the rest of the rent by reference to property values.

However:

- it is not based directly on a consideration of affordability in each region;
- there may be some “low demand” areas with low property values to which it is difficult to attract social tenants even at the floor rents generated by this option;
- in some areas, the link between rents and size, location and condition may be weak. For example, the running costs allowance for a high rise flat could be significantly greater than for a house in the same area. Also, running costs in London are significantly greater than elsewhere. However, offsetting this, higher running costs will be a factor that depresses the value of some properties, while minimum rents could be set lower than the running costs for homes with exceptionally high costs.

Identifying the best option

10.31 None of the above options meets all of our objectives. We are not attracted to the “*affordability for individual tenants*” option where setting rents takes account only of tenants’ incomes. We do, though, see some merits in all the other options described above. The more promising appear to be the two schemes based on the existing HRA system and the “*meeting running costs*” option. We invite views on all the options.

Convergence

10.32 At present, rents in the registered social landlord sector are around 20% higher, on average, than rents in local authority housing. This is in line with the difference in property values between the two sectors (mainly because registered social landlords’ stock tends to be newer). We propose that, in future, rents across the two sectors should be based on the same principles. This would require some convergence (reducing the gap) between average rents in the two sectors under most of the rent-setting options described earlier in

this chapter. The size and direction of changes to average rents in the two sectors will depend on final decisions about the principles that are to govern rent-setting in the future. In reaching decisions, we will have to take particular account of the impact on the finances of registered social landlords of the full package of changes to rents set out in this Green Paper, covering convergence, structures, and the overall level of social rents.

Issues for local authority landlords and their tenants

- 10.33 Whatever the basis on which rents are set in the future, we will continue to provide incentives through the HRA subsidy system to encourage local authority landlords to move their average rents towards the target level. We will also consider providing new incentives to encourage local authority landlords to adjust their rent structures so that the rents of individual properties better reflect the chosen option. We recognise that some local authority landlords will find it easier than others to adjust their rents. Some may take as long as ten years to restructure their rents fully. We would expect local authority landlords to prepare timetabled plans for restructuring their rents in line with any policy agreed following this Green Paper.
- 10.34 Inevitably, changing the way that local authority landlords set their rents would result in many changes, both up and down, in the rents paid by tenants. However, Housing Benefit provides a powerful measure of protection for those tenants whose rents will increase. Under the current system of Housing Benefit which, as explained in Chapter 11, we have no immediate plans to change fundamentally, two thirds of local authority tenants would be fully protected from rent changes and would experience no change in their disposable income.
- 10.35 Under the options discussed in this chapter, a significant number of local authority tenants would be better off although a similar number would have to pay more towards their rents.



For these reasons, we believe that any rent changes should be phased in over ten years or so. No tenant should be subject to a change in rent as a result of restructuring of more than £2 per week in any year. We would also need to pay particular attention to the possible impact of changes on vulnerable groups, such as pensioners. This would significantly lessen the impact on the minority of tenants who would have to meet rent increases out of their own pockets. Together with our proposed reforms of the lettings system, these tenants would also have the option and the opportunity to seek alternative accommodation, should they wish.

Issues for registered social landlords and their tenants

- 10.36 If we are to meet our objective of a fairer, more coherent rent-setting system, registered social landlords would need to adopt the same approach to rent setting as their local authority colleagues. A coherent approach to rent setting in the two tenures would be more equitable and would make it easier for stock transfers (discussed in Chapter 7) to take place.

- 10.37 Achieving a coherent approach is not easy. Rent levels within the registered social landlord sector are even more haphazard than those of local authority housing, reflecting the wide variation in the histories, locations and financial viability of the many landlords. As in the local authority sector, a large number of rents would have to change, with the number of increases matched by the number of reductions. Again, Housing Benefit would protect the majority of those tenants facing increases.
- 10.38 Phasing rent restructuring over several years means that any increase that tenants have to face in any one year would be limited. As with local authority tenants, we would encourage registered social landlords to restrict rent changes arising from restructuring to £2 per week, up or down, in any year. The needs of vulnerable groups would also need particular attention.
- 10.39 The implementation of rent restructuring in the registered social landlord sector would also need to take into account the financial implications for landlords. Registered social landlords are independent bodies. They must be able to set rents at a level that allows them to meet their financial commitments, maintain their stock and continue to function as financially viable organisations.
- 10.40 The Housing Corporation already monitors the rents charged by registered social landlords and investigates those whose rent levels, or rent increases, appear to be excessive. The Corporation would have an enhanced role in implementing a revised rent structure in the registered social landlord sector. In assessing the ability of a registered social landlord to comply with the policy, the Corporation would take account of the registered social landlord's financial obligations, including the need to service outstanding loan debt, stock improvement and refurbishment plans, and its relative management efficiency.
- 10.41 We do not want any steps towards rent restructuring to be implemented in a way that could undermine the financial viability of individual registered social landlords. However registered social landlords which saw little prospect of adjusting to the new rent policy over a reasonable period might consider that their future would be best served by merging with a stronger partner.

The timetable for restructuring social rents

- 10.42 The difficulties that some registered social landlords would face in reducing rents towards levels in the local authority sector have led us to conclude that it will not be possible quickly to achieve convergence between rent levels in the two sectors, particularly in combination with rent restructuring. Forcing this degree of adjustment while at the same time asking registered social landlords to change their rent setting structures would almost certainly place a number of them in financial difficulty.
- 10.43 For this reason, we recognise that we cannot achieve complete convergence in the short term across the two sectors in all areas. We have no intention of forcing any registered social landlords through rent changes into a position where they cannot meet their financial commitments. Instead, we will encourage registered social landlords to achieve as much coherence as their finances allow. We will also ask the Housing Corporation to look particularly closely at the expected rent levels in all future investment plans of registered social landlords.

- 10.44 We would like to achieve an appropriate balance between average local authority and average registered social landlords' rents within ten years or so. Following the last Comprehensive Spending Review, we announced that the average local authority rent will increase by 2% in real terms in 2000-01 and by 2% in real terms in 2001-02. In the registered social landlord sector, the Housing Corporation's rent influencing policy aims to limit average rent increases to no more than 1% per annum in real terms.
- 10.45 Taken together, these policies will help to close the gap between rents in the two sectors. Further progress will depend on decisions we make about the future structure of rents. However, in line with our view that social rents are broadly at their right level, we propose that, after 2001-02, there should be no further increases in real terms in the average level of rents charged by registered social landlords. In other words, starting in 2002-03, the average level of rent increases in the sector should be limited at a maximum to the rate of inflation. Any increases in individual registered social landlords' rents above the rate of inflation would occur only where rents need to rise to make progress towards any restructuring target set in the light of responses to this Green Paper. This will be challenging for registered social landlords. It will be implemented through the Housing Corporation's rent influencing regime. Particular care will be taken to ensure that registered social landlords are able to continue to meet their financial and other commitments.
- 10.46 Following our Capital Receipts Initiative and the Comprehensive Spending Review, we are making available an extra £5 billion for investment in housing. Most of this extra money will be spent on the maintenance and renewal of the local authority housing stock. This will deliver a steady improvement in the condition and quality of local authority housing, which would justify some continuing small annual increases in average local authority rents. This will be one of the factors we take into account in reaching final decisions about how we achieve a coherent and consistent set of rents across the social housing sector.

Registered social landlords' new build programme

- 10.47 One of the major causes of the steady increase in rent levels in the registered social landlord sector has been the declining level of Social Housing Grant (that is, the proportion of new development costs which are covered by public subsidy, rather than by private funding) which we inherited from the previous Government. A smaller proportion of grant funding obliged registered social landlords to increase rents on newly built properties to cover the higher proportion of the development cost funded by borrowing.
- 10.48 When we inherited this system we decided to reverse further planned reductions in total expenditure on Social Housing Grant allocated by the Housing Corporation but we reluctantly concluded that the level of grant would have to be retained if the size of the new build programme was to be maintained. However, if social rents are to be brought on to a fairer and more coherent basis, it will be necessary to find the funds to keep rents in line with the pattern of rents that the restructuring process is intended to create, while reflecting any superior quality compared with existing properties.

Conclusion

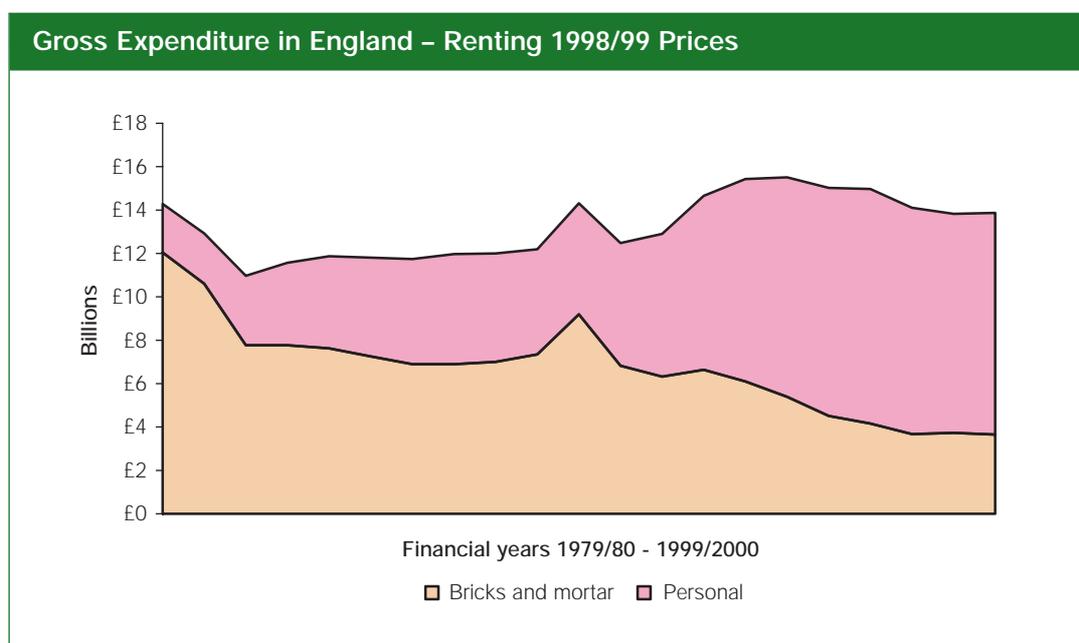
- 10.49 We believe that rents for social housing should be affordable, based on principles that are fair, that provide comparable rents for comparable homes, that inform the choices tenants make about their homes, and that encourage effective management by social landlords. We welcome views on the proposals and options set out in this Chapter to meet these aims.

CHAPTER 11

Improving Housing Benefit

What is the role of Housing Benefit?

- 11.1 Housing Benefit helps to ensure that some 4½ million households in Great Britain are able to pay the rent for their homes. The majority of claimants are of working age with 41% aged 60 or over. Nearly 60% of Housing Benefit claimants in Great Britain live in council housing, 19% in registered social landlord properties, and 22% in the private rented sector. Within this general pattern of tenure there are some important geographical differences. For example, in Scotland 75% of Housing Benefit claimants live in council housing, and 11% live in the private rented sector, in contrast to Wales where 23% of Housing Benefit claimants live in the private rented sector.
- 11.2 Over the last 20 years, the role of Housing Benefit has increased substantially in real terms. In 1978/79, £2.3 billion (at 1998/99 prices) was spent on Housing Benefit. By 1998/99 this figure had increased to £11.1 billion. This reflects, in part, a long term shift in the balance of public spending on housing support from direct “bricks and mortar” subsidy to personal subsidy in the form of Housing Benefit. As the chart below shows, in England the balance has moved from 84% bricks and mortar subsidy and 16% personal subsidy in 1979, to 27% bricks and mortar subsidy and 73% personal subsidy by 1998-99.
- 11.3 Since 1997, a combination of a healthy economy and record levels of people in employment has allowed us to get social security spending – including Housing Benefit – under control. But because spending is driven by changes in rent levels as well as the number of people getting the benefit, Housing Benefit spending is forecast to continue to rise at 1.4% per year in real terms between 1998/99 and 2001/02.



What are the problems with the current system?

- 11.4 It is right that we provide a benefit which enables people on low incomes to afford reasonable accommodation and which reflects the marked variations in rent levels across different parts of the country. But there are a number of well-known problems with Housing Benefit which previous governments have failed to address.
- Delivery of Housing Benefit is complex, confusing and time consuming. Claimants are usually required to complete more than one claim form and attend more than one office if they want to claim Housing Benefit along with other social security benefits. Information Technology links between the different organisations are often poor and can be non-existent. In addition, when a rent officer determination is involved it can significantly add to the time it takes to assess a claim;
 - The benefit rules are complex. Claimants don't understand them and often don't know what benefit rules apply to them and what support they might be entitled to;
 - The performance of Local Authorities is inconsistent. 409 local authorities administer the national Housing Benefit scheme. The Audit Commission suggests that only 56% of local authorities in England and Wales administer benefits efficiently;
 - All this administrative hassle and delay can leave claimants with worrying rent arrears, or worse, risk of eviction – pensioners in particular can be worried unnecessarily about their housing at a time when they should be feeling secure in their homes – , and landlords with cash flow problems and concerns about renting to Housing Benefit claimants;
 - Housing Benefit fraud and error costs some £840m each year. Fraudulent behaviour by claimants (and some landlords) takes money out of the system which should be spent helping those who need it most – pensioners and children – or on investing in our schools and hospitals. Some local authorities make every effort to prevent, detect and punish fraudsters, but others are not doing enough;
 - For those of working age Housing Benefit can act as a barrier which deters people from getting into jobs. Many claimants simply do not know that they can still get help with their housing costs if they move into low paid work. Others are reluctant to risk taking up work – particularly where it is temporary or casual – because of the potential wait involved in re-claiming if the job ends;
 - Housing Benefit can be exploited by landlords. Some unscrupulous landlords charge high rents for poor quality housing paid for by Housing Benefit; and
 - Housing Benefit takes away responsibility from claimants. Housing Benefit gives tenants little interest in the rent – provided it does not exceed local limits it can be reimbursed in full, often directly to the landlord. This means that some tenants are not even aware of how much rent is being paid.

- 11.5 It is these weaknesses which we need to tackle in order to modernise welfare and housing.
- 11.6 Our overall aim is to offer Housing Benefit recipients help with their rents in a way that actively supports our strategy of work for those who can, support for those who cannot, and security in old age. This means delivering a modernised service that is efficient, secure and consistently delivered. And it means offering tenants choice as well as responsibility.
- 11.7 We will introduce changes designed to:
- improve customer service;
 - reduce fraud and error;
 - improve work incentives; and, for the future,
 - explore other options to support housing policy.
- 11.8 An important part of our approach is to make sure Housing Benefit and housing policies across the housing sectors work together. It is important that in devising a Housing Benefit scheme for Great Britain the Government remains sensitive to the housing policy aims and objectives in the devolved administrations.
- 11.9 Chapter 5 has explored the way in which Housing Benefit can be used to influence the quality and management of housing for tenants – for example, tackling the problem of some unscrupulous landlords charging high rents for poor quality housing. This Chapter discusses how we can make Housing Benefit work better to meet our aims, and tackle the other problems we have highlighted. It explains the important work we have already done; and our proposals for how we can take this work further.
- 11.10 The first part of this chapter sets out:
- how we can improve customer service, for example by developing more streamlined, integrated approaches to administration, by implementing the principles of Best Value and by considering the scope for simplifying Housing Benefit;
 - how to reduce fraud and error through improving prevention and detection, and also through better working between organisations, as well as better overall administration; and
 - how improvements in administration will improve work incentives, and what other benefit changes can reduce the barriers to work.
- 11.11 The Chapter goes on to examine options for more fundamental reform of the way in which we give financial support towards homes for low income tenants, and finally the implications of direct payments of Housing Benefit to landlords.

Improving Customer Service

- 11.12 We are already working to improve the delivery of Housing Benefit. We are making sure that local authorities have the tools to administer Housing Benefit effectively.

11.13 Two key initiatives are underway which will enhance information sharing and significantly improve the transfer of data from the Benefits Agency (and its successors) to local authorities:



- We have provided local authorities with on-line access to relevant information on customers' Income Support and Jobseeker's Allowance claims held by the Benefits Agency through Remote Access Terminals. This means local authorities can immediately see whether these benefits are in payment rather than waiting for the Benefits Agency to send the details clerically. This has the potential to improve accuracy and cut down delays. In a recent DSS survey, local authorities reported that the use of Remote Access Terminals has had a positive impact on Housing Benefit administration. Virtually all local authorities now have at least one Remote Access Terminal, or have applied for one. Many local authorities have found them so helpful that they have asked for further terminals; and
 - We are building on the Remote Access Terminals programme to transform the way we send information to local authorities. Every year the Benefits Agency sends up to 20 million forms with details of benefit awards, changes of circumstance and notifications of the end of claims, through the post to local authorities. This is slow and things go missing. By September 2000 nearly all of this information will be sent electronically. In an early trial it took just 2 days (instead of 6 days) for local authorities to get information from the Benefits Agency.
- 11.14 We have brought in changes to the Housing Benefit scheme to improve the service, and reduce the administrative complexities. For example:
- We have made special provision for homeless people seeking hostel accommodation to ensure that the legal requirement to provide verified evidence of identity does not create a barrier to helping them off the streets. We are also supporting Westminster City Council in a pilot scheme offering a short claim form for hostel residents to act as the trigger for initial payment of Housing Benefit for up to six weeks; and
 - We have simplified the processes of rent officer determinations to make it a speedier process for people claiming Housing Benefit for private rented accommodation, by requiring rent officers to notify fewer determinations to local authorities.
- 11.15 We are introducing legislation which will replace Housing Benefit review boards with a new appeals structure, in line with the rest of the benefit system. This will help to ensure claimants are dealt with consistently and fairly.
- 11.16 We also plan to consolidate the Housing Benefit regulations – replacing the many existing amending regulations with a single set – and update, and put into electronic format, the guidance we provide on interpreting the law. These improvements should help local authorities administer the scheme more effectively.
- 11.17 More generally, we are driving up standards in local authorities' performance in delivering Housing Benefit using the Best Value regime from April 2000. Under Best Value, and following work with local authorities, we have introduced a set of performance indicators for the delivery of Housing Benefit covering speed, accuracy, security, cost and customer

service. In Scotland, the Accounts Commission has introduced analogous indicators under their separate powers. The indicators are the main yardstick against which local authorities' performance is judged. Local authorities are required to set challenging targets against the indicators in order to secure continuous improvements in the standards of service they provide.

- 11.18 We have also put in place a robust sanctions regime to apply to local authorities who fail to deliver to required standards. Following a report by the Benefit Fraud Inspectorate, an authority may be asked by the Secretary of State to submit proposals for improving its performance and remedying any failings identified by the report. After considering the report, and the local authority's proposals, the Secretary of State has powers under the Social Security Administration Act 1992 to give directions to the authority as to the future standards it is to attain. Such directions are legally enforceable and, where an authority fails to comply with them, the Secretary of State has powers to impose a financial penalty, or to require the authority to contract out its administration of Housing Benefit and Council Tax Benefit.
- 11.19 A similar range of powers is available under the Best Value arrangements in the Local Government Act 1999 where there is evidence that an authority in England or Wales is failing to comply with the requirements of that Act. Where necessary, the Secretary of State may take away from the authority the responsibility for carrying out the relevant function. The Government will have no hesitation in exercising these powers where there is evidence that poorly performing local authorities are failing to improve to the standards required.

TAKING THIS FORWARD

- 11.20 Better integrated Information Technology links across benefit systems have enormous potential to increase the speed, accuracy and consistency of service for all customers. The national administration of Housing Benefit by 409 local authorities has meant a fragmented service. We believe that new technology together with local authorities committed to high standards could help us overcome these difficulties. But Housing Benefit claimants should get a consistently high level of service wherever they live, and if our current delivery mechanisms cannot provide this, then we will need to look at other options.
- 11.21 Recent announcements of organisational changes to focus services on client groups (a pensioner unit and a working age service agency), also mean that we must make sure that Housing Benefit is delivered as part of the client group approach. Our priority for Housing Benefit is to ensure that the service to customers improves as part of these other changes. One option would be to split the Housing Benefit caseload into age-related groups to integrate them into the work of the respective service delivery units. It would also give us the opportunity to adapt Housing Benefit to the specific and differing needs of the two groups. But changes of this magnitude, which would affect Housing Benefit customers, local authorities and landlords take time, planning and money, and require a focus both on the future and on maintaining and improving the current service. So whilst we welcome views to start this debate, we would want to be persuaded that such an organisational change is, overall, beneficial.

- 11.22 We also need to consider whether there are potential benefits to be gained from encouraging local authorities to make greater and more productive use of private sector partnerships. Such partnerships have the potential to deliver both efficiency gains and improved customer service. At present only a small minority of authorities contract out support functions for their benefit services. However, many of these authorities have experienced difficulties with the standards of service provided by their contractors and the expected benefits have not materialised. Best Value nevertheless requires local authorities to plan positively for diversity and secure the most efficient and effective means of delivering their services. We need therefore to examine further issues surrounding the involvement of private sector contractors in benefit administration and whether more could be done to promote improved performance through this route.
- 11.23 One option that could make a significant difference to customer service is to integrate the evidence gathering and claims process. At the moment working age customers may have to complete up to 5 forms to get the benefits they are entitled to (including Jobseeker's Allowance and Housing Benefit). Most of the forms ask for the same information and this causes confusion and frustration for claimants. A single claims process would reduce duplication and shorten processing times.
- 11.24 We also need to consider how we can continue to improve information sharing. Remote Access Terminals allow local authorities access to some information about Income Support and Jobseeker's Allowance, but often local authorities also need information about other benefits such as Incapacity Benefit or Retirement Pension to assess the Housing Benefit claim. Enhancements to data sharing would improve service delivery by reducing duplication of effort by both customers and local authorities.
- 11.25 The complexity of rules in the current Housing Benefit scheme works against its effectiveness, not least the speed of delivery. However, many of the complex rules are included to focus help on particularly vulnerable groups. This is true of income related benefits in general. There is an essential choice to be made between making the Housing Benefit system simpler (and at an affordable price), and adapting the basic Housing Benefit system to give specific help to particular claimants – many of whom, without Housing Benefit, would have great difficulty meeting the rent that they are paying.
- 11.26 Areas of complexity where change has been suggested highlight the tensions between competing objectives – there is not an easy, nor a cost-free solution (for claimants, or taxpayer). Examples of simplification options include:
- **Reduce the number of transitional protection schemes that different Housing Benefit recipients are on** – local authorities have to understand 4 different schemes to pay out Housing Benefit to tenants in the private rented sector alone. But the risk of simplification in this area is that claimants who have been on Housing Benefit (and by definition with a low income) for a long time could lose income;
 - **Fix Housing Benefit awards for a set period so that local authorities do not need to make reassessments each time a change of circumstance occurs** – this might reduce the administrative burden, and provide claimants with a more certain income stream. But costs might increase if Housing Benefit is adjusted to ensure that claimants do not find themselves in hardship should their circumstances worsen. Also, this type of scheme increases the risk of abuse of the system as claimants might manipulate their circumstances to get the most out of the system for the fixed period. However, there

might be merit in applying this type of scheme to pensioners where income is reasonably stable;

- **Simplify the Non-Dependant Deduction scheme** which can reduce Housing Benefit to take account of the contribution towards the rent that other members of a household should make. The scheme increases complexity by requiring Housing Benefit claimants to give additional details about non-dependants. But non-dependants should make a contribution to the rent of tenants claiming Housing Benefit, and it is desirable that this contribution should increase as earnings of the non-dependant rise. We do not believe that we should abandon these two guiding principles in the benefit scheme. This means that it is difficult to avoid complexity; and
- **Simplify the rent limitations mechanism in the private rented sector** which are designed to prevent Housing Benefit being used to fund unreasonably high rents or over-large accommodation. Currently Rent Officers make individual assessments of rent limitations depending on a number of factors, some of which are not clear to the tenant. One way to make sure claimants know how much rent Housing Benefit will meet in a clear and predictable manner might be to publish the details of rent limits for each type of accommodation and area at regular intervals. One of the risks of this approach is that landlords might see these rent limits as the basis for setting rents.

11.27 We welcome views on these options.

Tackling Fraud and Error

11.28 By introducing tighter, more integrated ways of working, together with a better performance regime and robust sanctions for local authorities, we should go a long way to tackling fraud and error in the system. In addition we have a significant programme of work underway to provide local authorities with the tools to improve their anti-fraud work. We have:

- Introduced a programme of local authority inspections by the Benefits Fraud Inspectorate designed to help local authorities identify and act on weaknesses in their procedures. This has so far led to 42 action plans to improve administration, as well as best practice guidance available to all local authorities. The next round of Inspections is focusing on the top 30 spending local authorities who account for a third of all Housing Benefit expenditure;
- Developed a framework to help local authorities verify information provided with a claim. So far over half of local authorities have received or accepted our offer of funding to put this in place;
- Been successful in getting nearly two-thirds of local authorities to join the Royal Mail “Do Not Redirect” scheme and more are joining all the time. This scheme prevents multiple claims from the same person from different addresses;
- Piloted a scheme which enables local authorities to get DSS legal help to prosecute fraudsters, and allows us to understand the issues for local authorities;
- Introduced measures in the Social Security Administration (Fraud) Act 1997 to strengthen local authorities’ powers, for example, to provide for administrative

penalties and cautions as an alternative to prosecution, to enable recovery of overpayments from landlords, and given local authorities the powers to determine when a landlord is not fit to receive direct payments of Housing Benefit; and

- Introduced new National Insurance number and identity checks that local authorities must undertake before establishing entitlement to Housing Benefit.

11.29 We also need to be able to monitor progress in reducing levels of fraud and error in the system. Previous exercises to measure levels of fraud and error provided national snapshot estimates but did not allow us to track changes over time effectively. Our objective is to produce a continuous series of estimates of the national level of fraud and error. As a first step, working in partnership with 195 local authorities, the two-thirds of cases where Housing Benefit is paid with Income Support or Jobseeker's Allowance (Income Based) have been included in a continuous monthly programme of measurement. The first set of results for the period October 1999 to March 2000 will be published in Autumn 2000. The next step is to measure the level of fraud and error in the remaining one third of cases. We are working on the design of this system, and aim to start rolling it out by the end of this year.

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- 11.30 We are developing a new scheme to ensure that local authorities have the right incentives to undertake fraud activity. Part of local authorities' funding is already based on an anti-fraud incentive scheme – the Weekly Benefit Saving (WBS) scheme. However, this is flawed as it focuses on detection rather than prevention of fraud. We have recently introduced measures to improve the existing scheme, offering financial incentives to encourage local authorities to prosecute more cases and to adopt the verification framework, helping to stop fraud getting into the system. But, we want to work with local authorities to develop a more robust scheme that captures the entire end to end process from prevention to prosecution. We aim to introduce the new scheme from April 2001.
- 11.31 Following John Scampton's recommendations we are overhauling and strengthening the capability and professionalism of investigators to tackle benefit fraud across the benefit system. We are setting up a new service to co-ordinate and analyse intelligence on benefit fraud, to support and complement the fraud investigators, and we are appointing a senior head of profession for investigators, who will also manage the DSS organised fraud investigation service.
- 11.32 Best Value and the national measurement of fraud and error are important steps forward, and we could look at the scope for taking this a stage further. One way to reward and encourage best practice might be to develop a performance related system of funding for local authorities. For example, we could examine the scope for measuring levels of fraud and error in *individual* local authorities and consider setting targets for improvement, linked to a performance related subsidy regime. If this proved successful we could consider broadening it out to other aspects of Housing Benefit administration.
- 11.33 A more integrated service will help tackle fraud and error. As well as the options already outlined to improve administration overall, more specifically we could look to develop integration of anti-fraud activity across benefits. There are a number of options to consider:

- A national, single agency/local authority fraud hotline service to enable the public to report suspicions of fraud in Housing Benefit as well as in other benefits. This could help small local authorities in particular which may not have the capacity to introduce such a system on an individual basis.
- Allowing local authority staff on-line access to DSS systems to trace National Insurance numbers. This would make the process of checking identity and National Insurance details more efficient and accurate.
- Setting up new arrangements with local authority and DSS fraud investigation units to pool resources, cut down on duplication of effort, share intelligence, and targeting investigations properly across the social security system.

11.34 We welcome views on these options.

Improving work incentives

- 11.35 It is essential that Housing Benefit actively supports the transition into work. This means a fast, efficient, integrated service where the customer only has to give information once. It means ensuring claimants understand what benefits they are entitled to when they go into work. And it means getting benefit to claimants quickly so they are not worried about arrears. We have already begun to tackle these issues.
- 11.36 Our tax and benefit reforms are ensuring that work pays. We have introduced the first national minimum wage. And from October 1999 we have introduced the new Working Families' Tax Credit. This has reduced the number of claimants with very high marginal deduction rates (the rate at which tax and benefits reduce any increase in earnings). The lower rate at which Working Families' Tax Credit is reduced as income rises (the taper), reduces marginal deduction rates for claimants who were previously on Family Credit. And the combination of this shallower taper and the more generous threshold has raised some claimants' incomes to a level which moves them off the Housing Benefit and Council Tax Benefit tapers. We estimate that the introduction of Working Families' Tax Credit will move about 90,000 claimants off Housing Benefit in 2000/2001.
- 11.37 We are getting people back to work – more than 250,000 people have already been helped to get jobs through the New Deal.
- 11.38 The ONE service is developing a new approach to how we provide support for the working age group. ONE aims to change the culture of welfare by actively helping people to become more independent and making the benefit system more integrated and more efficient. ONE is operated by a partnership of Employment Service, Benefits Agency and the local authorities in each pilot area. In addition, private and voluntary sector organisations are involved in developing innovative and flexible ways of delivering the ONE service. It offers a single entry point to the benefit system for all working age clients – where they may be able to deal with all their employment and benefit needs in one place and through a single personal adviser.

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- 11.39 During 2001/2 we will establish a brand new agency with a clear focus on work. This will draw together the Employment Service and parts of the Benefits Agency which support people of working age. The ONE service will provide the template for establishing the new organisation. It will deliver a single, integrated service to benefit claimants of working age, and employers. The new agency will operate a personal advisory service as in the New Deal and the ONE pilots. It will provide a better and more responsive benefits service to all people of working age, tailored to individual needs. The new agency will not take over administration of Housing Benefit, but – as in the current ONE pilots – where the ONE service is operating we would expect the new agency to work in partnership with Local Authorities to provide access to these benefits through ONE.
- 11.40 The transition from unemployment to work can be a particularly difficult time for many people. Therefore we must make this transition as simple and straightforward as possible. One way of improving the transition which we announced in the Budget is reform of the Housing Benefit Extended Payment scheme from April 2001.
- 11.41 Currently, many claimants who have recently returned to work are entitled to their Housing Benefit in payment at the full rate for 4 weeks, to help them through this period. However the policy intention gets thwarted by the delivery. Housing Benefit recipients are given just 7 days from the day after Income Support or Jobseeker's Allowance ceases to make a claim for this extra help. By making payments more automatic we will improve the effectiveness of this policy. This simplified access to Extended Payments linked with the existing fast-tracking of claims for in-work Housing Benefit (which should make sure that in-work claims are assessed before the Extended Payment finishes), will make a significant contribution to ensuring that people moving into low paid work do not face lengthy periods without Housing Benefit – a concern that was raised in the report of the Policy Action Team on Jobs.
- 11.42 The improvements we are making and propose to make to the delivery of Housing Benefit will reduce the barriers to work. In addition there are a number of other options for improving incentives to work which merit further consideration.
- 11.43 A simple and understandable way of increasing the incentive to work is to increase the income difference between income in work and out of work. For tenants on low earnings, one option is to increase earnings disregards – that is, the amount that can be earned before Housing Benefit is reduced. However, the costs of increasing earnings disregards can be high. Increasing earnings disregards also brings more people on to Housing Benefit, and for this group it will reduce the amount of income they receive for any further increase in earnings (as for an extra £1 earned they will lose both through tax and reduced Housing Benefit).
- 11.44 Alternative options to consider might target increased disregards more effectively by setting higher disregards for certain groups of people or in more deprived areas of the country, for example areas with higher unemployment (perhaps working alongside initiatives such as Employment Zones, Social Inclusion Partnerships or New Deal for Communities). We announced in the Budget our intention to raise earnings disregards for carers and people with disabilities from £15 to £20 to reward those who are able to do some form of paid work. However, introducing different schemes for different locations risks complicating the nationwide Housing Benefit system, and its effects on encouraging people into work in these areas are not clear.

- 11.45 Another option to improve incentives to work for lone parents in particular that has been advocated is to increase the Housing Benefit disregard for maintenance payments received. This would give lone parents an additional incentive to work. But the effect on work incentives is not as simple nor as transparent as increasing earnings disregards.
- 11.46 The rate at which Housing Benefit is withdrawn as earnings rise can also affect incentives to work. Housing Benefit is withdrawn as income rises at a rate of 65p for every extra £1 (the Housing Benefit taper). It is argued that the high overall marginal deduction rate can make it unattractive to work or earn more. But, the overall effects of reducing the rate at which Housing Benefit is taken away as income rises either by lowering the taper or integrating housing support within the tax credit system need to be considered with care. The costs of reducing the taper can be considerable, for what might be a marginal effect on work incentives. We have already made significant progress in this area by introducing Working Families' Tax Credit.
- 11.47 A stable home provides a secure foundation from which to find work, and Housing Benefit should help provide this environment. A number of commentators believe that the Single Room Rent restriction (which limits the amount of rent that Housing Benefit will meet for people under 25 years of age) is making it difficult for young single people to access and maintain accommodation. For example, critics say that landlords are refusing to rent to under 25s.
- 11.48 To meet our objectives for welfare reform, and for ending rough sleeping, we must make sure that young people have access to accommodation, so that they can concentrate on finding work. But it is important to balance this against our aim of making sure that the benefit system does not provide out of work young adults with better housing than their working peers could attain. One option to consider is to broaden the definition of the Single Room Rent so that a range of rents for shared accommodation is used (eg. shared houses, flats and bedsits) instead of the current restrictive one room non-self contained accommodation definition. By doing this the rent that Housing Benefit would pay might better reflect the type of shared accommodation which is available for rent in the private sector. It might help young people obtain and maintain accommodation which can give them a secure base for job search and job security.
- 11.49 In summary, this Government inherited a fragmented, confused and failing Housing Benefit system. Since we came to office we have received many representations on how to improve Housing Benefit. Clearly in this Chapter we cannot respond to every point made, but we have considered them with care in the development of our proposals for Housing Benefit. Acting on just some of the changes discussed in this section of the Green Paper would improve the system as it exists, reducing the levels of fraud and error and improving the value for money of the scheme for taxpayers. At the same time we need to keep expenditure under control. We welcome your views.

Longer term aims for supporting tenants on low income

- 11.50 Housing is very important for everyone. Above all else we must always ensure that individuals can afford to rent suitable homes. Our overriding aim is to give cost effective welfare support to tenants on low incomes – to provide security in old age, and to help people into work whilst supporting those who cannot. We have set out above a range of

options for improvement which are based around the current structure of Housing Benefit where it is directly related to the rent payable. But there are other ways of helping tenants on low incomes meet their housing costs: housing support can be paid at a fixed rate which does not vary by actual rent; or housing support can be paid at a proportion of the actual rent, with a flat rate addition. This section explores these alternative approaches to providing financial support for housing costs to tenants on low incomes.

- 11.51 A number of commentators, academics and housing professionals have put forward proposals for fundamental reform of Housing Benefit. Generally, their aims are to improve work incentives and/or to give tenants an interest in the size of their rent. In the latter area in particular we need to ensure that any prospective Housing Benefit reform is closely linked to housing policy.
- 11.52 Housing Benefit reform to give tenants an interest in their rent could only take place in the social housing sector in England when rents have been restructured in a fairer and more consistent way, and when allocation policies have been reformed to provide a better degree of choice (as proposed in Chapters 9 and 10 of this Green Paper). There would be little point in making these types of fundamental policy changes to Housing Benefit before rent restructuring. We also need to consider the different housing policies of the devolved administrations. However, it is important to discuss the possible options for long term reform, some of which may become viable in the future. We need to be convinced that any changes would go further in realising the aim of offering everyone the opportunity of a decent home, and of pursuing our welfare reform aims.
- 11.53 Before we look at some of these ideas it is worthwhile considering what we can learn from other countries.

INTERNATIONAL EXPERIENCE

- 11.54 Whilst it is difficult to make comparisons between different countries' systems of support, because of variations in the housing market, Government policy, rent levels and underpinning welfare systems, such information can help inform our debate.
- 11.55 In comparison with other countries, Housing Benefit is unusual in that it is specifically linked to each individual tenant's housing cost; it meets up to 100% of a tenant's rent – as long as rent is within local limits in the private sector. Many other countries have developed systems of housing support which provide a general income for tenants which they may spend as they wish, and assume tenants make a minimum contribution to housing from their own income. The minimum contribution is intended to give tenants a greater interest in their rent and to encourage them to find the most suitable accommodation. The level of this contribution is usually determined either according to the composition of the household, or to their income, or to a combination of the two (as in France and Germany).
- 11.56 Most countries, including Britain (in the private rented sector), have limits on the eligible rent from which they calculate the actual housing allowance. In the majority of countries we have studied, the rent limit is set according to the composition of the household. In Germany this is combined with the income level of the household, whereas in New Zealand the location of the property is also taken into account.

- 11.57 Within these maximum and minimum levels, the rate of assistance may also vary, again usually according to the composition of the household. Australia and New Zealand pay a flat rate, set at 75% and 70% respectively of the difference between the maximum and minimum levels, whilst the Netherlands and Sweden operate a tiered system where similar households receive stepped reductions in allowances as the level of rent increases.
- 11.58 Several countries restrict those eligible to housing allowances to certain groups. The Swedish system was substantially reformed in the mid-1990s, narrowing the scope of housing allowances to concentrate on families with children, and young people. The tiered nature of the Swedish and Dutch schemes attempt to target support on the most needy households. The American schemes are targeted on low-income families, the elderly and the disabled whilst in Australia a claimant must be in receipt of another social security pension or allowance to be eligible for the housing allowance. Irish rent supplements are not paid at all to those in full-time employment, whilst unemployed German and Canadian recipients may lose entitlement if they cannot prove that they are actively seeking work. Employable claimants in the Canadian province of Ontario, and in Wisconsin in the United States are required to work for their general social assistance. These examples contrast with Britain where, apart from income levels, there are few restrictions on eligibility.
- 11.59 Schemes that set the level of support primarily according to the income of the household often have a detrimental effect on incentives to work. For example, French tenants on housing allowance lose their entitlement to income disregards as soon as they find work, even if it is only providing the same level of income as they received through income support. Consequently, a tenant can actually be worse off in work than when they were unemployed.
- 11.60 This brief summary of the important elements of international housing allowance schemes emphasises the complexity of the various systems designed to help low income households to afford their rent. Each country has developed a different scheme based upon its particular housing market and welfare system. Essentially, a state gives a flat rate contribution to an individual's housing costs, or meets actual costs according to a wider group of variables of personal and financial circumstances. Or the two types of support can be combined to give a flat-rate with top-up element. (Indeed, many countries include a minimum contribution from the claimant in their allowance, balanced by a greater basic social allowance.) In addition a maximum rent, most often determined by the type of household, is usually imposed. This acts as an absolute limit on allowance levels. Several countries acknowledge that their schemes can discourage claimants from seeking work and some are experimenting with ways of reducing this problem, particularly by requiring claimants to seek work. We will be carrying out research to see what more can be learned from the experiences of other countries.

ANALYSIS OF DIFFERENT SUPPORT MECHANISMS

- 11.61 We have seen that compared with many other countries Housing Benefit is unusual in not seeking a minimum contribution from tenants. Some housing experts argue that this is a principal weakness of the current system – there is a lack of a “shopping incentive” within Housing Benefit. Some commentators argue for a scheme where help with housing is no longer directly linked to the rent charged – by providing tenants with a flat rate of housing support. In theory tenants would make better decisions about their housing requirements. This proposal is controversial; the main concern of many is whether tenants are free to make choices and, if they are not, the degree of protection that would be necessary. In particular we would want to ensure that pensioners are secure in their homes.

- 11.62 Commentators also argue that the rate at which Housing Benefit is withdrawn as income rises, and how it interacts with the benefit and tax system, presents the greatest barrier for people returning to work. Radical solutions put forward include introducing some form of housing tax credit for low income workers. This could be paid as part of Working Families' Tax Credit, and would help to reduce the high marginal deduction rates caused by the combined effects of tax and the progressive withdrawal of Housing Benefit, Council Tax Benefit, and Working Families' Tax Credit.
- 11.63 What follows is a brief analysis of options, preceded by some brief objectives in considering such change. We would welcome views on the analysis.
- 11.64 Reform in this direction would be aimed at:
- providing help with paying the rent through a broader income package than a single housing needs system alone;
 - giving claimants more opportunity to spend their money for housing support in the way they choose;
 - recognising that options for change will be shaped by very real practical realities such as how housing markets in Great Britain actually work (including the financing assumptions made by social housing providers – and the importance of not undermining lenders' confidence), and how Housing Benefit interacts with other benefits and welfare support.

FLAT RATE SYSTEM

- 11.65 If meeting the needs of tenants is best achieved by giving them an income stream to use in the way that best meets their individual needs, then one option for change would be to give low income tenants a fixed sum of money, and give them the opportunity to make their housing choices.
- 11.66 A fixed rate allowance could provide a sum of income in the basic benefit levels to meet average housing costs for specific household types. The rates might vary by area to take some account of the differences in rents across the country. Tenants who could rent below the average cost for the area would have more money in their pocket to spend on non-housing goods. Tenants who rented above the average cost for the area would need to find income from other sources to pay the additional rent.
- 11.67 A fixed rate allowance scheme might also have important beneficial work incentives:
- It could be simpler to operate – reducing administrative delays which are of concern to claimants;
 - It might be easier to understand – giving claimants a better understanding of what they are entitled to in work; and
 - It could be combined with tax credits – reducing the number of claimants in receipt of both Working Families' Tax Credit and Housing Benefit, and increasing their incentive to work and earn more.

11.68 However, breaking the link between housing support and actual rent has risks. These risks increase in significance the more the link between income for rent and actual housing costs is broken. And while risks can be managed, it is important to recognise them as part of the policy debate. The risks to consider are:

- changing housing is not something most of us can do cheaply or swiftly. If a person loses their job on Monday, they cannot move house on Tuesday simply because the rent cannot be met by their unemployment income;
- some people may have particular reasons for living where they do in the locality (certain family circumstances, for example) which mean that their housing costs are higher than average. It may not be realistic for them to find suitable, cheaper housing; and
- we want to ensure that people live in decent housing, especially as it is widely recognised that the quality of housing contributes to improvements in people's health and education and as such is integral to lifting them out of poverty. Reforms of this nature risk encouraging people to economise on housing to such an extent that, for example, their health suffers.

11.69 Given these risks, a fully flat rate scheme with no variation in support to take account of each individual tenant's actual housing costs does not look an attractive option. It would lead to some tenants having a significant shortfall in income to pay their rent, while others on very low rents would gain significantly. Indeed many other countries operating a more approximate form of housing support continue to include an element of support which is related to the actual rent of the tenant.

11.70 One option which attempts to strike a better balance between the risks and the gains assumes tenants make a contribution worth 20% of their rent, with 80% of the actual rent met through "housing benefit". To ensure that tenants on low incomes can afford to make the minimum contribution, basic Income Support levels would be increased. This could be a flat rate increase, worth 20% of average housing costs for the area and household size, or perhaps 25% (giving a total benefit of 105%) thus providing tenants with a little more margin for affording rents in the area.

ISSUES

11.71 Ideas about structural reforms like these raise a huge number of issues which would have to be resolved before any decisions could be made, and any change implemented safely in a way and over a time period which provided stability for tenants – in particular security for pensioners – and landlords. The key issues are:

- what to do about the position of existing claimants. Some changes could mean that some existing Housing Benefit claimants lose. If claimants required transitional protection this could complicate the scheme and lead to perverse incentives (for example, to remain unemployed if the earlier scheme was more favourable to them);
- protecting vulnerable people. Reforms could create a number of additional risks for some vulnerable people who could not make the best housing choices and therefore might find themselves with under-funded housing costs. Some disabled people have a more restricted choice of housing; a more market based system could be riskier for

groups who have greater difficulty in finding suitable housing (for example, rough sleepers, people with drug or alcohol problems); others may need time to adjust to certain changes in circumstances (for example, older people or the recently bereaved). Sufficient support would be needed to help these people;

- effects on housing markets. The flat rate element would have to be chosen with care to ensure that every claimant had a reasonable chance of finding decent housing that was fully covered by their Housing Benefit entitlement, taking account of the different types of tenancies. In addition, different housing markets may require additional help where demand from tenants exceeds supply. If the reforms lead to tenants making new choices about where they live we would need to make sure that this does not increase social exclusion by encouraging low income tenants to live in the poorest, cheapest housing; and



- fundamental change in the social sector. For this type of reform to work in the social sector in England there would need to be a more coherent rent structure, and a more flexible allocation policy. And we would need to consider with care the different social housing policies in the devolved administrations. Without tenants having the right incentives and the ability to exercise choice, and without social landlords (and financiers of registered social landlords) having some certainty of current and future income, any such changes in the Housing Benefit scheme could not be introduced successfully in the social sector.

11.72 Meeting the needs of tenants through an income package which gives tenants more flexibility about how they use their income to pay rent would mark a significant change in the design and delivery of Housing Benefit. But there would be important risks from this type of reform and key issues to tackle.

11.73 In any approach which breaks or weakens the link between actual rent and benefit levels it would be crucial to get the right balance between giving tenants the right opportunities and practical incentives – ones they can act on – whilst also providing protection to the most vulnerable tenants, who rely on our support to give them access to housing. Before we could commit ourselves to reform in this direction we would need to be sure that we can develop an approach which meets all our aims. We welcome views.

Other possible reform ideas

11.74 Housing Benefit can be developed in other ways to support the housing costs of tenants. This section looks at alternative ideas for giving tenants on Housing Benefit an additional interest in the level of their rent:

- providing extra financial incentives to tenants; and
- how Housing Benefit is paid – Chapter 5 considered how payment methods might influence landlords, this section discusses the more general arguments around direct payments of Housing Benefit to landlords and rent rebates for tenants in local authority housing.

ADDITIONAL INCENTIVES TO TENANTS

- 11.75 An alternative means of rewarding tenants for flexibility, particularly where family circumstances change, might be to give Housing Benefit claimants a bonus if they live in property rented at below the average for the area. For example, for every £1 rent was below the average for the area, we could allow the Housing Benefit claimant to keep 25p of the difference. If the tenant rented property above the average for the area Housing Benefit would continue to meet the rent (subject to the local reference rent limit in the private rented sector).
- 11.76 We are also piloting another way of giving Housing Benefit tenants in social housing an interest in the rent they are charged. From April 2000 we are introducing an under-occupation pilot scheme in the London Boroughs of Croydon, Haringey and Newham. Under this scheme tenants on Housing Benefit who move to suitable cheaper housing will be entitled to a lump sum of about half of the Housing Benefit savings that would be expected over three years. The scheme will run for three years, and we will look carefully at its results to see whether giving Housing Benefit tenants a positive financial interest has a behavioural impact.

HOW HOUSING BENEFIT IS PAID

- 11.77 Together with long term structural change we also need to look at how Housing Benefit is paid, and whether these arrangements best meet the needs of tenants. The majority of tenants do not receive their Housing Benefit – it is paid direct from the local authority to the landlord, or in the case of local authority tenants their rent is rebated at source. Some 70% of tenants in the private and registered social landlord sectors have their Housing Benefit paid direct to the landlord, and all tenants in council property have their rent rebated. It can be argued that under these arrangements the tenant can remain ignorant of the rent being paid on their behalf, and thus the relationship between tenant and landlord is weakened by the direct payment of rent which bypasses the tenant.
- 11.78 The payment arrangements are administratively efficient for both local authorities and landlords. But where Housing Benefit meets the rent in full there may be no interaction on rent between the tenant and the landlord, and this can remove the tenant's interest (and control) in either the rent level or what the rent pays for in terms of the quality of housing. It can also mean that the move into work is more worrying – the tenant suddenly has to become used to budgeting and paying the rent on time. To improve these connections the payment of Housing Benefit direct to landlords and rent rebates could be limited to those tenants who have built up arrears in the past or who have difficulty in managing their finances.
- 11.79 More specific proposals for limiting direct payment arrangements to influence the quality of homes in the private rented sector are discussed in Chapter 5. Generally, there is a risk with this approach that some tenants (other than those with arrears or those who have difficulty managing their finances) might choose not to pay the rent. This would cause rent arrears to build up, affecting the finances of landlords and, at the extremes, leading to eviction and possible homelessness for tenants.

Conclusion

- 11.80 We can make a real difference to tenants by improving the existing benefit design and its delivery – so we are putting that first. Structural change may be something worth pursuing in the longer term, but it needs to be considered very carefully and it is unlikely to be possible before the reforms to the social housing system proposed in this Green Paper have been successfully implemented. The different social housing policies in the devolved administrations also need to be studied. However, we welcome your views on longer term changes as a way of engaging all those with an interest in the rented housing area in a debate that we recognise will be complex and challenging, yet one which we wish to have constructively as part of our long term drive to reform the welfare state.

CHAPTER 12

Tackling other forms of housing-related social exclusion

- 12.1 Our housing policies play an important part in our strategy to tackle all forms of social exclusion, as set out in our report, “Opportunity for all”. Improving the quality of housing, ensuring access to decent housing and empowering individuals to have real choice in their housing decisions all lead to better social cohesion. But there are other forms of housing-related social exclusion, which were identified in Chapter 2. This chapter sets out the policies we are putting in place to tackle them.

Rough sleeping

- 12.2 We are committed to reducing the numbers of people sleeping rough to as near zero as possible. Our target is to reduce the numbers sleeping rough by at least two thirds by 2002.
- 12.3 We have established a new Rough Sleepers Unit to co-ordinate activity across Government to meet this target. Its new strategy, launched in December 1999, marked a step change in tackling this intractable problem.
- 12.4 The Unit has a budget of £160 million to spend between April 1999 and March 2002 tackling rough sleeping in London. Outside London, the Unit has a budget of £34 million under our Homelessness Action Programme to support local strategies to reduce rough sleeping and prevent single homelessness.
- 12.5 Tackling rough sleeping requires a co-ordinated approach to the multiple needs of rough sleepers, which often include mental ill health, drug and alcohol abuse, and a lack of basic skills, as well as homelessness. This will mean both close integration between Whitehall departments and closer working with other bodies such as local authorities, voluntary organisations, the police, businesses and the wider community.
- 12.6 Outside London, we believe local authorities are in the best position to address the issues. Local authorities should be at the centre of local strategies to tackle rough sleeping and provide a clearly defined contact point to co-ordinate work with voluntary and other agencies.
- 12.7 Prevention is the key to the success of the unit in bringing about a sustainable reduction in rough sleeping and we will be focusing our efforts on those at most risk, including care leavers and other vulnerable young people, ex-offenders and ex-service personnel. Our proposals for providing stronger statutory protection for homeless people – including these groups – are set out in Chapter 9.

Supporting vulnerable people

- 12.9 Our commitment to supporting vulnerable people applies to those who are housed as well as to those who are homeless.
- 12.10 We have taken steps to improve standards of access and facilities for disabled people by extending part M of the Building Regulations so that it applies to new housing.
- 12.11 In the Winter of 1998-99, we consulted on new proposals to help vulnerable people such as the frail elderly, disabled and mentally ill to remain independent within the community. Our proposals will provide an integrated policy and funding framework – Supporting People – for support services for the range of groups who need support. The proposals bring together Housing Benefit paid for support services and other funding streams into a single, consumer focused budget, to be administered by local authorities. They will work corporately, in partnership with other agencies, people using services and service providers, to address individuals' support needs and so contribute to the well being of the community as a whole.
- 12.12 Supporting People will be introduced in April 2003 and will provide a framework for improving services so that they provide effective, high quality support to the many thousands of people who require it. All of the central Government departments involved will be working closely with the range of external interests to prepare for local implementation of the new arrangements to ensure that the policy operates successfully. Prior to that, a transitional Housing Benefit scheme will operate from April 2000 to maintain stability in the funding of support services provided by landlords and enable the development of some new services where these are required.

Tackling fuel poverty and improving energy efficiency

- 12.13 In recognition of the 4.3 million households in England alone that could not afford the heat they need to keep warm and healthy – the fuel poor – and the excessive number of Winter deaths in the UK, we took early action to reduce the level of V.A.T. on fuel and energy saving materials, initiate reforms to the energy market to reduce the cost of keeping warm, and introduce £100 annual Winter Fuel Payments for pensioner households. In the 2000 Budget, we have announced an extension of the V.A.T. reduction on energy saving materials to all households and an increase in the Winter Fuel Payments for pensioners to £150.
- 12.14 A Ministerial Group is developing the Government's overall strategy on fuel poverty. The importance of improved energy efficiency in providing a permanent solution to the problem of fuel poverty is well recognised. Following a detailed consultation, we have announced plans for an expanded Home Energy Efficiency Scheme (HEES) to provide warmer, healthier homes.
- 12.15 New HEES will target those people who are at most risk from ill health caused by fuel poverty – the elderly and families on low incomes, the disabled and the chronically sick. It will provide a wider range of insulation and heating improvements including, for the first time, central heating systems. These measures will reduce the cost of keeping warm by up to

£1,000 a year. Marketing of the new scheme is just beginning, with the first homes due to be improved in June 2000. New HEES is expected to reach some 460,000 households, mainly in the owner-occupied and private rented sectors, of whom 280,000 will be aged 60 or over.

12.16 We are also developing an Affordable Warmth Programme in conjunction with Transco. This aims to support the installation of efficient heating and insulation in up to a million homes by 2007, using operating leases to finance the work. By providing security to the lease finance providers, Transco will reduce the lease costs. By introducing capital allowances for lessors, we are bringing costs down and encouraging landlords to participate in the programme. The large majority of homes covered by the programme will be in the local authority and registered social landlord sectors, although it will also cover private sector homes improved through New HEES.

12.17 Increased resources for local authorities to spend on housing and improvements delivered through stock transfer will also help to improve the energy efficiency of local authority housing, complementing the HEES and Affordable Warmth programmes.



12.18 Local authorities are also driving improvements in the energy efficiency of all housing in response to the requirements of the Home Energy Conservation Act 1995 (HECA). In England, they have been required to develop a strategy – as an integral part of their overall housing policy – for making progress towards a substantial improvement in the energy efficiency of all residential accommodation over 10 years from 1 April 1996 and to report on progress. Authorities are expected to incorporate energy efficiency measures in their own works programmes and

to act as a facilitator of change, encouraging homeowners and landlords to adopt energy efficiency measures as a matter of course.

12.19 Energy efficiency improvements will help to tackle fuel poverty. They will also contribute to our climate change programme, reducing carbon dioxide (CO₂) emissions from the domestic sector and reducing the impact that housing has on the environment.

12.20 Our action to tackle fuel poverty and increase the energy efficiency of housing is complemented by our proposals for improving the home buying and selling process (discussed in Chapter 4) and by the Building Regulations. The house condition report, which is to form part of the seller's pack required when a home is marketed, will include an energy rating. This will increase the awareness of both the seller and the buyer of the energy efficiency of the house.

12.21 Part L of the Building Regulations, the last revision of which came into effect in July 1995, sets minimum energy performance standards for new buildings and extensions or conversions. A review, launched in January 1998, is examining the contribution the Building Regulations can make to achieving our commitments under the Kyoto Protocol and our own target for reducing CO₂ emissions. We have extended the review to take more account of the environmental costs of CO₂ emissions and to look both at housing and other types of buildings with a view to improving standards of new construction and applying standards to more maintenance and repair work in the existing stock. We will be consulting on amendments to the regulations soon.

Security

- 12.22 Social exclusion can be exacerbated by crime or a fear of crime and can be worsened by housing which lacks adequate security. This is particularly true of older households who have a particular fear of the risk of crime.
- 12.23 In a joint initiative with the Home Office Crime Reduction Programme, low income households with at least one member aged 60 or more who are assisted through our New Home Energy Efficiency Scheme (HEES) will also receive a package of home security measures if they live in an area considered to be at higher risk from crime. We believe this will help these households to participate more fully in the local community and thereby reduce the risk of isolation and exclusion.
- 12.24 Crime and the fear of crime are a serious problem in many of our residential areas. Theft, vandalism and fear of assault severely impact on the quality of life for too many people. The effect of high crime rates is to undermine communities, create unpopular neighbourhoods and reinforce social exclusion. Our crime reduction programme will make major inroads into this problem. Over the next three years £400 million is being invested in a range of initiatives to combat crime and its causes.
- 12.25 Wider use of closed-circuit television (CCTV) in public areas can be a particularly effective crime prevention measure. As part of the crime reduction programme, over £150 million is being invested in new or extended CCTV systems in England and Wales, representing the biggest ever public investment in CCTV. Half of this investment is being targeted on residential areas. CCTV has not been widely used in residential areas in the past but we believe that it provides a major opportunity to reduce crime and improve the quality of life in areas where crime is a particular problem. Wherever possible, CCTV will be used in combination with other measures to assist in the wider regeneration of declining neighbourhoods.
- 12.26 As with improvements to the energy efficiency of the stock, increased investment by local authorities in housing will also lead to improvements in the security of individual homes. Good design in new developments and refurbishment schemes which reflect the requirements of residents can often make a real difference to security – improved access to blocks of flats, for example. Ensuring appropriate standards of security, such as those provided through the “Secured by Design” scheme, is important in reducing opportunities for – and fear of – crime.

Anti-social behaviour

- 12.27 Anti-social behaviour by a minority can cause misery for many. We are determined to ensure that it is not tolerated, that effective measures are in place to enable local authorities and the police to deal with it, and that those measures are used effectively.
- 12.28 There is a range of measures already in place to tackle anti-social behaviour in the social and private rented sectors. These include, for local authority landlords, introductory tenancies that last for 12 months and which, where used, apply to all new tenants. They enable local authorities to take quick action to evict nuisance tenants, and we are keen to see a good take up of these provisions. The grounds on which existing secure tenants may be evicted when causing a nuisance have also been strengthened, and a power of arrest can be attached to injunctions taken out against local authority tenants to prevent nuisance behaviour.

- 12.29 These measures form part of a wide ranging package that we are introducing to make sure anti-social behaviour is tackled across the board. The Crime and Disorder Act 1998 introduced Anti-Social Behaviour Orders. These can be used against any person – whether they are a social or private tenant or a householder – who is causing harassment, alarm or distress to others. The Act also introduced a duty on local authorities and the police to work in partnership to develop local Crime and Disorder Reduction Strategies, effective from 1 April 1999, encompassing whatever existing measures are thought necessary to tackle particular local problems.
- 12.30 Chapter 5 discusses some options for adapting Housing Benefit rules to encourage responsible behaviour. We are also determined to make sure that existing powers work effectively, and that there is no impediment to their doing so. One of the Policy Action Teams (PAT8) set up in response to the Social Exclusion Unit’s report on neighbourhood renewal has looked specifically at what more needs to be done to make sure anti-social behaviour is tackled effectively. This is being taken forward by the Home Office, working closely with the Department of the Environment, Transport and the Regions.

Conclusion

- 12.31 The housing policies set out in this Green Paper, together with the approaches described in this chapter, will play a major part in our strategy for tackling all forms of social exclusion and building a fairer Britain for all.

APPENDIX

Technical Appendix to Chapter 10: Moving to a fairer system of affordable rents

This Appendix uses a hypothetical example to illustrate the “*property values*”, “*HRA system*” and “*meeting running costs*” options for setting target rents which social landlords would be encouraged to approach over time.

The data is fictitious and is not statistically representative of the social stock. The object is simply to demonstrate the mechanics of restructuring rents by each method.

Table 1 summarises the data used in the three options.

Table 1: Example data to illustrate restructuring options				
Target national average rent: £45 per week				
Region	Property	Regional Earnings per week	Property Values	Running Costs Allowances per week
A	1	£300	£15,000	£25.00
A	2	£300	£40,000	£30.00
B	3	£360	£25,000	£35.00
B	4	£360	£40,000	£40.00
B	5	£360	£100,000	£45.00
Averages per property		£336	£44,000	£35.00

In this example, there are two regions. Region A has low average earnings and two properties with capital values of £15,000 and £40,000. Region B has high average earnings and three properties with capital values of £25,000, £40,000 and £100,000. Running cost allowances are given for each property. The required national average rent is £45 per week.

Property values

Table 2 shows what the target rents would be, if set solely by reference to property values.

Table 2: Target rents set by reference to property values only			
Target national average rent: £45 per week			
Region	Property	Property Values	Target Rent per week
A	1	£15,000	£15.34
A	2	£40,000	£40.91
B	3	£25,000	£25.57
B	4	£40,000	£40.91
B	5	£100,000	£102.27
Averages per property		£44,000	£45.00

In Table 2, the target rent equals (Value of property) / (Average value for all properties) X (National average rent of £45).

Comparing properties 2 and 4 shows that properties with the same value have the same restructured rent, irrespective of region.

HRA System

Tables 3 and 4 present two versions of the “*HRA model*” where target rents are based on a formula that takes account of regional earnings and property values. In both tables, the final Target Rent is the Sum of Parts 1 and 2.

Table 3: Target rents based 50% on regional earnings and 50% on property values

Target national average rent: £45 per week						
Region	Property	Regional Earnings per week	Part 1 of Target Rent per week	Property Values	Part 2 of Target Rent per week	Final Target Rent per week
A	1	£300	£20.09	£15,000	£7.67	£27.76
A	2	£300	£20.09	£40,000	£20.45	£40.54
B	3	£360	£24.11	£25,000	£12.78	£36.89
B	4	£360	£24.11	£40,000	£20.45	£44.56
B	5	£360	£24.11	£100,000	£51.14	£75.25
Averages per property		£336	£22.50	£44,000	£22.50	£45.00

- Part 1 equals (Average earnings for given region) / (Average earnings for all regions) X (50% of national average rent, that is £22.50).
- Part 2 equals (Value of property) / (Average value of all properties) X (50% of national average rent, that is £22.50).

Table 4: Target rents based 70% on regional earnings and 30% on property values

Target national average rent: £45 per week						
Region	Property	Regional Earnings per week	Part 1 of Target Rent per week	Property Values	Part 2 of Target Rent per week	Final Target Rent per week
A	1	£300	£28.13	£15,000	£4.60	£32.73
A	2	£300	£28.13	£40,000	£12.27	£40.40
B	3	£360	£33.75	£25,000	£7.67	£41.42
B	4	£360	£33.75	£40,000	£12.27	£46.02
B	5	£360	£33.75	£100,000	£30.68	£64.43
Averages per property		£336	£31.50	£44,000	£13.50	£45.00

- Part 1 equals (Average earnings for given region)/(Average earnings for all regions) X (70% of national average rent, that is £31.50).
- Part 2 equals (Value of property) / (Average value of all properties) X (30% of national average rent, that is £13.50).

Meeting running costs

Table 5 presents a version of the “meeting running costs” option where target rents are based on running costs allowances and property values.

Table 5: Target rents based on running costs and property values						
Target national average rent: £45 per week						
Region	Property	Running Costs Allowances per week	Part 1 of Target Rent per week	Property Values	Part 2 of Target Rent per week	Final Target Rent per week
A	1	£25.00	£25.00	£15,000	£3.98	£28.98
A	2	£30.00	£30.00	£40,000	£10.60	£40.60
B	3	£35.00	£35.00	£25,000	£6.63	£41.63
B	4	£40.00	£40.00	£40,000	£10.60	£50.60
B	5	£45.00	£45.00	£100,000	£18.21	£63.21
Averages per property		£35.00	£35.00	£44,000	£10.00	£45.00

In Table 5, the target rent is again the sum of Part 1 and Part 2:

- Part 1 equals running costs allowances per week.
- In Part 2, each £10,000 of value up to the national average of £44,000 adds £2.65 to the rent. Each £10,000 of value in excess of the national average adds £1.17 to the rent. For property 5, Part 2 of the rent is thus: $(4.4 \times £2.65) + (5.6 \times £1.17) = £18.21$.

There are many possible variations of the “meeting running costs” option. For example, there could be a different ratio between the additions to rent for £10,000 of property value below and above the national average. Or rents could increase at the same rate across the full range of values.

Sending us your views

This Green Paper seeks your views on the Government's aims and proposals for modernising housing policy in England. It also seeks your views on proposed improvements to, and longer-term options for reform of, benefit help with mortgage interest payments and Housing Benefit in England, Scotland and Wales.

We invite responses by 31 July 2000. In advance of that, any reactions received by mid-June can be taken into account in the current Spending Review process. All responses (including those commenting on benefit help with mortgage interest payments and Housing Benefit) should be addressed to:

Neil O'Connor
Housing Policy, Renewal & Ownership Division
Department of the Environment, Transport and the Regions,
Room 2/J10
Eland House
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or e-mailed to:

housing-greenpaper@detr.gsi.gov.uk

The Department may wish to make responses to these proposals available to Parliament and to public inspection in the Department's library. We will assume that you do not object to this unless you specify otherwise. Responses that are submitted on a confidential basis will, nevertheless, be included in any numerical analysis of responses. Responses that comment on benefit help with mortgage interest payments and Housing Benefit will be copied to the Department of Social Security who are responsible for those schemes.

Further copies of the Green Paper, *Quality and Choice: A Decent Home for All – The Housing Green Paper*, are available from:

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