

<b>1.</b>	<b>Meeting</b>	<b>Sustainable Communities Scrutiny Panel</b>
<b>2.</b>	<b>Date</b>	<b>16 September 2010</b>
<b>3.</b>	<b>Title</b>	<b>Discussion paper: Proposals around the Future Shape of Social Housing</b>
<b>4.</b>	<b>Directorate</b>	<b>Neighbourhoods and Adult Services</b>

## **5. Summary**

This report is a discussion paper designed to assist understanding and encourage views on a number of new proposals from Government around social housing policy. This paper attempts to put these proposals in a Rotherham context and highlights what the potential impact of such policy changes could be.

The issues covered include:

- ALMO Options Appraisal
- Change in Tenure Type
- Decent Homes Programme
- Mobility of Social Housing Tenants
- Housing Revenue Account Reform
- Rent Convergence
- Housing Benefit Review
- Tenant Services Authority

Currently, the details around many of these proposals are limited.

## **6. Recommendations**

**That the Panel note the range of proposals coming from Government and comment on any further work they may wish to undertake around these issues.**

## 7.1 ALMO Options Appraisal

Many local authorities across the country are carrying out options appraisals around the future management of their council housing stock. So far the bulk of authorities who have reappraised their ALMOs are based in and around the South East.

The options for local authorities with ALMOs include:

- taking the services back in house
- developing a new ALMO agreement with a clear and, if necessary, revised remit
- transferring ownership of all housing stock to a registered provider
- transforming the existing ALMO into a new organisation, to own and manage stock
- transforming the existing ALMO into a 'community-owned, council-owned' organisation ('COCO')

For each of the above options a clear understanding of the detailed service quality and financial implications is required, in the context of existing arrangements and the new Housing Revenue Account self-financing regime (see paragraph 7.6).

### Rotherham's Situation

RMBC established 2010 Rotherham Ltd in 2005, following extensive consultation with tenants and residents, to improve the management of council housing and lever in investment for Decent Homes works. As at 1<sup>st</sup> April 2010, the ALMO had delivered £276m of investment, and all homes (except for refusals) will meet the Decent Homes Standard by the end of December 2010. The management agreement with the ALMO expires in June 2011 and the Council will need to make a decision on the most appropriate model for the future management of housing

Some services to tenants are shared between Neighbourhood and Adult Services and the ALMO (allocations and lettings, neighbourhood management and antisocial behaviour). However, more work needs to be completed to identify the best way of delivering these cross-cutting services and this will be a central driver for the options appraisal.

From a tenant perspective, interest primarily focuses on the effectiveness of the services received, rather than the nature of who provides those services. One of the issues that cause confusion is the demarcation of services between 2010 Rotherham Ltd, RMBC and other service providers.

RMBC has commissioned PriceWaterhouse Cooper (PWC) to conduct an appraisal of the options for the future management of Rotherham's council housing. PWC will provide an illustration of the financial and service quality implications of the most appropriate model with a clear recommendation on which to base tenant and stakeholder consultation. PWC will report by the end of September at which point a clear consultation plan will be developed.

The evaluation criteria include the following:

- The financial viability of the organisation with particular regard to the breakdown of its revenue expenditure and value for money
- The financial capacity and freedom of the organisation to invest in the stock at the required levels, maintain the current standard and, ideally, make further improvements
- The clarity of the relationship between the organisation and Council, which should be effective, efficient and understood by tenants and which should contribute towards the delivery of Council objectives
- The capacity and freedom of the organisation to borrow money to invest in the delivery of new 'social housing'

## **7.2 Change in Tenure Type**

The Government has recently suggested that new social tenants in the future could be offered a home for a fixed period of time in the belief that this may help meet the demand for council housing and ensure that tenants whose circumstances improve move on.

Ministers have not given any details about how any new policy would be implemented but potential options could include;

- requiring tenants to give up their tenancies if their circumstances improve
- increasing rent to market levels
- encouraging tenants to buy a share in their property.

It is not know how 'an improvement in tenants' circumstances will be defined but there has been a suggestion that tenants' circumstances could be reviewed every 5 or 10 years.

### Rotherham's Situation

It is possible that a change in tenure type could lead to a greater turn-over of tenancies and an increase in costs through rent lost during the amount of time a property remains vacant between the outgoing/incoming tenants and the repairs and maintenance works required while the property is void.

## **7.3 Decent Homes Programme**

Nationally, the number of non decent council homes sits at around 400,000 and around £3.2 billion will be required to finish the decent homes programme.

Reforming the housing subsidy system could help councils who have achieved decency standards maintain their properties but councils with substantial numbers of non decent homes would need more help. Currently, no additional funding will be available to local authorities who have not completed their decent homes programme.

### Rotherham's Situation

Rotherham is on target to complete decent homes works across all its properties by the deadline of 31 December 2010.

## **7.4 Mobility of Social Housing Tenants**

Currently, the scope for existing social housing tenants to move to other parts of the country, to be closer to family or for employment reasons, and remain social housing tenants is limited.

Some registered providers administer a 'home swap' scheme which facilitates the movement of tenants from and to properties in their ownership but this is limited and not feasible for registered providers who own stock in just one geographical area.

The Government wishes to see a national database set up to support social tenants who wish to move to another part of the country while remaining in the social rented sector.

### Rotherham's Situation

According to the Strategic Housing Market Assessment, 2007, Rotherham's housing market is contained with around 76% of households moving within the Borough.

RMBC has registered with a national mobility scheme called 'Home Swapper'. The Council has funded this service to enable Rotherham's tenants to register free of charge. Once registered, tenants can view possible matches and contact exchange partners to explore potential moves. If a move is mutually agreed, both parties involved must contact their respective landlords.

Many residents in the south of the Borough look to Worksop for employment, leisure and shopping, and residents in the north look to Barnsley. It is likely that some tenants may prefer to move from Rotherham, across local authority boundaries, to those neighbouring towns.

## **7.5 Housing Revenue Account Reform**

In July, the Department of Communities and Local Government finished consulting with Housing Authorities on proposed changes to the current national council house subsidy system on replacing it with self-financing arrangements.

Under the existing system, spending on housing functions such as repairs and housing management is determined centrally and resources allocated accordingly. Depending on the levels of rent collected, some authorities receive subsidies while those who meet their costs through their rental income have surpluses redistributed via the centre. Of the capital receipts gained through Right to Buy, 25% remain with the local authority and the rest is collated centrally.

The proposed self-financing system would allow local authorities to retain all rental income and capital receipts gained through Right to Buy. The proposals assume a one-off allocation of debt to each council – each authority has been 'offered' a level of debt which would be fixed on the settlement date of 1 April 2011. This figure will be based on calculations of estimated income and expenditure.

Most local authorities have indicated their support for the proposed changes to the finance system, as the proposals will give them the flexibility to:

- Repay the housing debt early
- Generate HRA surpluses
- Deliver a range of additional housing capital investment
- Build new homes

If a sufficient majority of local authorities accept the proposal, it is likely that the new system would be in place from 1<sup>st</sup> April 2011.

### Rotherham's Situation

The details of the proposals and the implications for Rotherham were reported to SLT on 28<sup>th</sup> June 2010, and a seminar for Elected Members was undertaken on 1<sup>st</sup> July to explore the implications for Rotherham further, prior to submission of the completed consultation form.

The level of debt 'offered' to Rotherham Council to move to self-financing is lower than the amount of debt currently being serviced.

Current modelling suggests that through HRA self financing there would be sufficient resources to invest in existing housing and build new council houses, which supports RMBC's housing strategy key objectives.

However, the level of resources available to RMBC will be directly affected by rent levels, and this is discussed in more detail under section 7.6.

### **7.6 Rent Convergence**

In 2002/3, Central Government set a formula to bring the rents charged by local authorities and registered providers of broadly comparable social housing, in line with each other. The formula takes into account inflation rates, relative earnings and property values. This is known as rent convergence or restructuring, and target increases were set each year, to achieve convergence by 2015/6.

The proposed Housing Revenue Account business plan model under self-financing assumes the rent levels will continue to increase and achieve convergence. This would ensure additional resources are available for investment in housing stock.

### Rotherham's Situation

The level of rent for Rotherham's housing tenants is amongst the lowest in the country. Should the proposals around HRA reform be realised, achieving convergence would make more money available for Rotherham to invest in affordable housing.

Across the Borough, 26.2% of residents are in receipt of housing benefit and this figure is likely to increase when looking solely at council tenants, therefore, rent

convergence cannot be looked at without considering the proposals around the review of housing benefit.

## **7.7 Housing Benefit Review**

A range of measures will be introduced from April 2011 onwards. It is believed that 'these changes will remove payments that trap benefit claimants in poverty'.

The package of reforms include:

- Deductions for non-dependents: reverse previous freezes on uprating and maintaining the link with prices from 2011-2012
- Uprate benefit rates with Consumer Price Index from 2013/2014 (instead of by the higher Retail Price Index)
- Cap the maximum Local Housing Allowance payable for each property size, with a 4 bed limit from 2011/2012
  - £250 for one-bed properties p/w
  - £290 for two-bed properties p/w
  - £340 for three-bed properties p/w
  - £400 for four bed properties p/w
- Limit the receipt of full housing benefit for claimants who can be expected to look for work; reduce to 90% after 12 months from 2013
- From 2013/2014, restrict housing benefit for working age claimants in the social rented sector who are occupying a larger property than their household size warrants

### Rotherham's Situation

The reforms may see landlords avoiding letting their properties to people who are in receipt of housing benefit. Some settlements in Rotherham have high numbers of privately rented properties (Model Village, Little London and China Town in Maltby) could be more susceptible to such a change.

The reforms could place RMBC in a difficult position – being asked to house the most vulnerable but facing the prospect of arrears if someone's housing benefit is cut because they are unable to find work.

As with most local authorities, RMBC does have a number of under-occupied properties and linking housing benefit to the size of homes could provide a spur to free up larger, under-occupied properties.

## **7.8 Tenant Services Authority**

Extensive work was carried out across local authorities to align current service standards to the new Tenant Services Authority framework. However, the Housing Minister has made it clear that the TSA will not remain as the regulator. It is therefore unclear as to how future housing inspections will be carried out.

### Rotherham's Situation

The future of the TSA is still unknown but Government values the TSA's service standards and local offer.

2010 Rotherham Ltd has been running a task and finish group with tenants and leaseholders to agree Rotherham's service standards and the local offer. Consultation on the draft standards is imminent with plans to 'go live' in January 2011.

## **8. Financial implications**

The key financial implications arising from this discussion paper are as follows:

- HRA self-financing: This is likely to have a positive financial impact for Rotherham.
- Rent restructuring: Rents will need to be re-profiled to achieve convergence under the target rent setting formula
- Housing benefit reform: This is likely to have a negative financial impact for Rotherham.

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## **9. Risks and uncertainties**

With few details available on many of the housing related proposals included in this paper, it is difficult to carry out a meaningful analysis of risk.

## **10. Policy and performance agenda implications**

The issues discussed in this report highlight implications for several key RMBC agendas, including those relating to community safety, housing, social care needs for the young, old and vulnerable, climate change and financial inclusion.

## **11. Background papers and consultation**

Chartered Institute of Housing Weekly Briefing  
Inside Housing

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