

Housing and residential property journalist – Sophie Barnes

Rents hiked for Right to Buy replacements

Since its introduction in the 1980s, the Right to Buy has been one of the country's most divisive housing policies. In 2012, the discounts available to tenants went up to £75,000 – triggering a fresh fire sale of council housing.

However the government has always insisted this is not a problem as it will replace the homes sold with new ones. Sophie's revelation, based on Freedom of Information Act responses from 111 councils, marks the final nail in the coffin for this promise. She showed 52% of the new homes being built as replacements were for affordable rent – in some cases twice as much as the social rent homes they replaced and unsuitable for the low-income families they are supposed to house.

Her scoop was followed up in The Independent and demonstrates Sophie's skill of using investigative journalism to interrogate government policy.

Third of councils set up housing companies

The trend of councils setting up housing companies could – one day soon – develop into a major contributor to finally solving the UK's chronic housing crisis. A company structure allows a council to invest in its local market, free from the borrowing restrictions imposed otherwise.

This is a topic area long-covered by *Inside Housing* but it remains at such an early stage in its development that there are no official numbers on the size of the new sector or its development ambition.

Sophie's front page story is the furthest anyone has come to setting this straight – following an intensive survey, she revealed 94 out of 252 English councils have set up or are planning to set up a housing company. The research marks the first time the scale of this new sector has been revealed, and demonstrates Sophie's connection with her topic area and ability to pull off major research projects.

The benefit cap tightrope

This piece was an important investigation into the impact of housing benefit policy on the country's ability to house the poorest people: the founding ambition of the social housing sector.

An under-reported change to policy meant the overall cap on benefits was lowered from £26,000 a year to £20,000 at the end of 2016. Sophie's piece was the first review of the real world impact of this change – which will have a profound effect on tenants in the social housing sector.

She revealed housing associations – traditionally the providers of housing of a last resort to the poorest – were increasingly checking prospective tenants' income and turning away those who could not afford to pay. It also used the Freedom of Information Act to quantify the impact of the cap, showing 36,591 households would be affected – a staggering rise from the 10,855 under the previous level.

INSIDE HOUSING

Deep thinker

How Irwell Valley's new boss plans to navigate housing in Manchester
Feature, page 20



Crunch time

A tough date at the CIH puts our Rising Stars' moral compasses to the test
Feature, page 24



Rents hiked for RTB replacements



Right to Buy Investigation finds less than half of councils' Right to Buy replacements are for social rent

Sophie Barnes

Less than half of the council homes built to replace those sold under the Right to Buy are at social rents, an exclusive *Inside Housing* investigation has revealed.

Since 2012, councils have been allowed to keep a portion of the receipt from a Right to Buy home to

build a replacement, with a total of 10,644 started so far against 51,352 sales.

But Freedom of Information Act responses from 111 councils - 75% of those building replacements - showed only 48% (3,962) of the 8,109 new homes they had started were at social rents.

Affordable rent, which is set at up

to 80% of the market rate and is much higher than social rents in many areas of the country, made up 3,971 replacements with the remainder temporary housing and other tenures.

John Healey, Labour's housing spokesperson, said the figures show that the Conservatives' "damaging approach" to Right to Buy is "failing".

Steve Bullock, executive member for housing at London Councils and mayor of Lewisham Council, said: "The restrictions that councils have had to deal with on Right to Buy receipts have made it unnecessarily difficult to achieve direct one-for-one replacement."

→ Continued on page 2

→ A how-to guide to Housing First, see page 16

In this week's magazine

News



5 Election insight Councils defend their housebuilding record after criticism from the Conservatives, and the sector reacts to the Tory manifesto

Comment

14 David Montague Would stock exchange listing help or hinder UK housing associations?

15 Christopher Hale A city council is using a star rating system to raise standards in the private rented sector

15 Rob Martin How Anchor is helping older couples stay together when moving into specialist housing

Features



16 How-to guide to Housing First We take a look at how social landlords can get involved in the approach that turns the traditional UK homelessness model on its head



20 Deep thinker How Irwell Valley's new chief executive plans to lead the association through Manchester's housing challenges

24 Crunch time This year's Rising Stars finalists are grilled on their ethical views at the CIH headquarters

And 4 pages of jobs

Homelessness

Housing First homes call

Homeless Link calls on associations to provide properties for schemes

Sophie Barnes

A membership body for homelessness organisations has called on social landlords to provide homes for Housing First programmes across the country.

Currently only 50% of Housing First projects have access to social housing, according to Homeless Link.

Homeless Link has this week published guidance for social landlords on the purpose of Housing First and how it can benefit landlords.

Rick Henderson, chief executive of Homeless Link, said: "Homeless Link is calling for registered social landlords to support the growth of Housing First and its positive outcomes for individuals, joining the increasing number already participating or considering their role."

Housing First gives permanent housing to rough sleepers with complex support needs along with support to tackle any problems they may have, such as addiction or mental illness.

Homeless Link said Housing First schemes are currently mainly found in cities with high levels of rough sleeping. Manchester housing providers have already committed to providing homes for a Housing First programme in the city and providers from across Greater Manchester are considering making the same commitment.

Housing First has received political backing from the main parties. *Inside Housing* has been calling on politicians to pilot Housing First in the UK through our Cathy at 50 campaign, and is also calling on housing associations to provide stock for projects.

People who meet the Housing First criteria "rarely" meet the criteria for council housing, the charity said.

It said: "Despite their support needs, they may not be considered a priority under housing legislation. There may also be concerns that they could not maintain a tenancy, and so should start to address their problems before being offered one. In some cases, an individual may have had a social tenancy previously but lost it, and been deemed to have made themselves intentionally homeless."

→ **More on Housing First on page 16**

Right to Buy

Under 50% of replacements are social rent

→ **Continued from front**

In 2012 the government advised councils to replace homes sold with the higher affordable rent when it boosted the discounts, which now sit at £78,600 nationally and £104,900 in London.

Despite this, some councils have provided only social rent. Conservative-led New Forest District Council has delivered 153 Right to Buy replacements, all at social rents. A spokesperson for the council said: "The lower social rents help less well-off tenants and especially those who will be most affected by benefit changes."

Labour-led Islington Council has all of its 193 replacements at social rent. Diarmaid Ward, executive member for housing and development at the council, said: "It is very important we replace the social homes that we lose. There is a desperate shortage of genuinely affordable homes in Islington."

Mr Healey said: "Not only has just one in five homes sold under the Right to Buy been replaced, but of those that have been replaced fewer than half are let at a genuinely affordable social rent."

The Conservatives declined to comment. Labour has promised to halt Right to Buy until councils can deliver replacements at social rents.

From the web

www.insidehousing.co.uk

● Five most read

1. Theresa's social housing
2. Associations in merger talks to form largest social landlord in South West
3. Conservatives' flagship CPO plans for social rent 'could face legal challenge'
4. Tory social housing 'deals' plan builds on existing work with three councils
5. Conservatives pledge 500,000 homes by 2022 on top of one million homes target

● Five most commented

1. Labour sets out housing pledges at manifesto launch
2. Conservatives pledge 500,000 homes by 2022 on top of one

million homes target

3. Associations call for rent freedom after Tories pledge 'flexibility'
4. Tory social housing 'deals' plan builds on existing work with three councils
5. Conservatives pledge deals to build new social rented housing

● Blog

Joanne Roney, chief executive of Manchester City Council, on the opportunities in her new patch, insidehousing.co.uk/7020093. article



● Blog

Housing associations would struggle to calculate and justify their rents if the government gives them more rent freedom, says **David Bogle**, insidehousing.co.uk/7020125. article



INSIDE HOUSING

Mindset of a merger

L&Q's plans for the future after its mega-merger with East Thames completes
Analysis, page 12



Review of the year

We pick out the highlights after another game-changing 12 months
Feature, page 24



Third of councils set up housing companies

Councils Exclusive research reveals extent of local authority advance into private housebuilding

Sophie Barnes

More than a third of councils have set up or are considering setting up housing companies, extensive research by *Inside Housing* can reveal.

The research quantifies for the first time the extent of the march into private housebuilding by town halls, which has exploded in scale in recent months.

Freedom of Information Act requests to all councils in England, followed up by in-depth research, showed 94 out of 252 councils have established or are planning a private housebuilding company. Only 18 months ago, just a handful of councils had established companies, with 36 councils deciding to set up housing

companies within the last year.

Councils are using the companies to secure new sources of revenue amid government cuts, and also to build homes outside government-imposed borrowing restrictions.

Forty-two councils have published development plans, with 24 planning to build or acquire mostly private rented homes, six focusing on market sale and 12 delivering a mix including affordable rent or shared ownership.

Out of the councils who revealed how company income will be used, the majority said it would go into the council's general fund. Some councils will use the income generated to tackle homelessness in their area.

→ Continued on page 2



→ Our brain-teasing quiz of 2016. See page 30

In this week's magazine

News



12 Mindset behind the mega-merger

David Montague and Yvonne Arrowsmith reveal their plans as the L&Q/East Thames merger officially completes



14 Coping with the cap The future of supported housing as the new funding model is laid out

Comment

19 Matthew Bailes New plans for regulation could improve the sector's relationship with government

23 Boris Worrall We need more support for the leaders of tomorrow

23 Nicola McCrudden Northern Ireland must not forget the meaning of 'social' housing

Features



24 Review of the year 2016 From Brexit to housing factories, we look back at the headlines from the sector after another busy 12 months

30 Housing quiz How well can you remember all the key events from 2016? Our brain-teasing test will reveal all

And 3 pages of jobs

Regulation

New measures set for April

Deregulation package to be implemented in spring next year

Pete Apps

The deregulation package aimed at removing housing associations from the national balance sheet will come into effect in April, *Inside Housing* can reveal.

Measures in the Housing and Planning Act, passed this year, clear the way for deregulation aimed at reversing the Office for National Statistics' (ONS) decision to reclassify associations as public sector for national accounts purposes.

These measures have now been given a commencement date of 6 April this year. They will remove the Homes and Communities Agency's (HCA) power of consent over disposals, restructures and mergers.

The disposals proceeds fund, which gives the HCA power to direct the use of cash resulting from the sale of social housing assets, will also be axed.

In their place, a notifications regime will come into effect obliging housing associations to keep the

regulator informed of these actions – although it will retain no power to stop them.

It will also retain powers to require newly merged organisations to re-register, although this is expected to be light touch.

It is understood that following a merger, the HCA would prioritise a merged housing association for an 'in-depth assessment' (IDA), although this may take place six to 12 months after the merger to allow time for the new structure to bed in.

The regulator's powers to appoint board members, which it has used extremely infrequently, will only be available in instances of "breach of legal requirements", as opposed to "mismanagement".

Further details will be published in the New Year.

Jim Bennett, assistant director of regulation strategy at the HCA, said: "We carried out an informal consultation on the proposals with stakeholders over the summer.

"Lenders in particular took assurance from what we said around how we are going to use the notifications regime, and the fact that we will be able to carry out significant scrutiny following a merger."

Councils

Councils set up housing companies

→ Continued from front

Activity is focused on London and the South East with 44 of the councils in these two regions. There are only two companies in the North East.

Development ambitions vary widely with some planning to build hundreds of homes a year, while others have only a handful in their sights.

Barking & Dagenham has the largest development ambition by a considerable margin – with plans to build 42,500 over 15 years through a variety of joint ventures. Sheffield Council plans 2,300 over 15 years.

Councils have established companies in a variety of structures, including joint ventures with associations and institutional investors. Barnet Council has set up two housing companies, one for private rent and market sale and the other for affordable rented homes. A spokesperson said the companies "provide more capacity for building new affordable homes than could be met through the Housing Revenue Account".

A Local Government Association spokesperson said councils are "motivated by the need to increase supply, plug certain gaps in the market, or generate revenue".

→ See online for the full list of council development companies

From the web

www.insidehousing.co.uk

● Five most read

1. Government proposes new social housing regulator
2. Clarion Group formed as mega-merger completes
3. Council chief with housing background in line for Manchester top job
4. Khan raises grant rates to £60,000 to fund low-cost rent
5. Midlands association downgraded over governance concerns

● Five most commented

1. Government proposes new social housing regulator
2. Government working with councils

on fixed-term tenancies

3. The least bad option
4. Lord Freud announces his retirement
5. 'New regulator is not a return to TSA,' say HCA leaders

● Blog

There remains a huge number of questions about how the Voluntary Right to Buy scheme will work, says *Colin Wiles*, insidehousing.co.uk/7017970. article



● Blog

The London funding programme is positive – now the White Paper needs to deliver for the rest of England, says *Steve Douglas*, insidehousing.co.uk/7017958. article





In the opening investigation in *Inside Housing's* new series, IH Spotlight, Sophie Barnes unveils the first exclusive analysis of the lower benefit cap

While news outlets have been filled with Brexit, Donald Trump and – on a more specialist level – the Housing White Paper and housing grants, far less attention has been paid to a crucial welfare reform which was introduced at the end of last year.

The overall cap on housing benefit dropped from £26,000 to £20,000, or £23,000 in London. This change, although under-reported, is seminal – affecting a wide demographic of households across the country.

Inside Housing has conducted detailed research to build up a comprehensive picture of the impact of the policy, and what is being done to mitigate its worst effects.

Our research was based on Freedom of Information Act responses from 203 councils and 34 housing

associations. There are now 36,591 households affected, or due to be affected, by the lower cap among these landlords – a huge jump compared with 10,855 under the higher cap, although roughly in line with government estimates nationally. These figures change as households move into work and so are exempt from the cap, or vice versa.

New intentions

The old cap predominantly hit large families or those in expensive areas. Under the new cap the profile of the households affected has changed; households are spread across the country rather than concentrated in London.

In Birmingham the number of households affected by the benefit cap is estimated to have shot up since the cap was lowered – from 547 to 4,541, according to its Freedom of

Information Act response. Bournemouth has seen a similar rise, from 38 to 207 households. In Doncaster 386 households have been hit – a steep rise from the 41 previously affected. Oldham has gone from 30 to 304, Rotherham from 44 to 271, and the Wirral from 38 to 305 households. This is no longer a London-centric issue.

The original intention of the benefit cap was to bring down the housing benefit bill, characterised in the tabloid press as swallowed up by big families and expensive homes. Under the new cap households across the country and average-sized family homes have been hit the worst.

David Pipe, policy and practice officer at the Chartered Institute of Housing, says lowering the cap “has changed the profile affected”.

Our research revealed that any-

one – from a household in a caravan to a family in an eight-bedroom home – is now subject to the cap. In York, four households living in caravans have seen their benefits capped, three in Harrogate, and two in Bradford. In Rochford, one household living in bed and breakfast accommodation has been capped.

The most commonly affected properties are three-bedroom houses – a problem for housing associations that have traditionally built three-bedroom family homes. This is a tough problem to solve quickly. Development plans usually have a five-year lag, so even if associations plan to up their two-bedroom homes significantly, this will take time to filter through into their supply.

Councils and housing associations have taken steps to support households hit by the cap, partly to try and soothe money worries and partly

because the risk of increasing rent arrears is a threat to social landlords.

Thirty-three councils were able to quantify how many of their tenants affected by the benefit cap were in rent arrears. Out of these an average of 44% of tenants hit by the benefit cap are in arrears. In Dacorum, 60 out of 93 council tenants are in arrears, while in the London Borough of Greenwich the figure is at 81%.

Offering support

The surveys also revealed a huge range of approaches to supporting tenants. Out of 143 councils and housing associations to respond to a question about help for those affected, 57 have either done nothing to offer support or simply steered households towards the local job centre or Citizens Advice.

However, 76 councils and housing associations have made efforts to

reach out to those affected by providing employment advice, training opportunities, budget advice and helping those who are eligible to claim benefits to exempt them from the cap. A handful have created dedicated roles to support those affected.

When landlords do offer support, there is no guarantee tenants will take up the offer. Jackie Adams, service assurance technical specialist for Slough Council's welfare reform team, says despite promoting budgeting support and training for tenants “we're not getting the engagement”. She estimates less than 10 people have taken up the offer of help. This leaves landlords in a tricky position if tenants start racking up rent arrears.

The main support councils can give is through Discretionary Housing Payments (DHPs). The majority of councils said they will issue DHPs to

at least partly cover the gap in housing benefit, but this is a short-term measure for many. Ms Adams says Slough Council, which had spent 23% of its DHP fund solely on benefit cap tenants, may have to restrict its payments next financial year.

“[Lowering the cap] has changed the profile affected.”

With housing associations eyeing their rent arrears, just under a third responding to the survey said they have tightened up their affordability criteria for lettings because of the benefit cap. Mr Pipe says more organisations are “building affordability checks into the lettings process” and he expects this to become “quite common”.

Heather Bowman, chief operating officer at Sovereign, says the organisation has had “some really clear and honest conversations in the beginning around what people can realistically afford”.

One association to respond to our anonymous survey said the organisation carries out affordability checks for all new tenants and is “unlikely to let certain properties to families unable to afford their housing costs if already affected by the cap”. Another said it will offer support but “ultimately if the tenancy is unaffordable we will decline the application”.

The benefit cap policy threatens to strike at the heart of housing associations' social purpose, preventing them from housing the poorest in society. As the welfare reform agenda rolls on, tenants and landlords will face tough decisions. ■