GREATER MANCHESTER PLANNING & HOUSING COMMISSION

Date: 13 SEPTEMBER 2018

Subject: SOCIAL HOUSING GREEN PAPER AND RIGHT TO BUY RECEIPTS CONSULTATION

Report of: STEVE RUMBELOW, CHIEF EXECUTIVE ROCHELDALE COUNCIL AND GM LEAD CHIEF EXECUTIVE PLANNING & HOUSING

PURPOSE OF REPORT
To brief members on the Government’s Social Housing Green Paper and the accompanying Right to Buy Receipts consultation.

RECOMMENDATIONS
Members are asked to:

- Note the contents of the paper;
- Consider and agree approach to responding to the Social Housing Green Paper consultation; and
- Consider and agree approach to responding to the Right to Buy Receipts consultation.

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1 BACKGROUND

1.1 This paper provides a briefing on the Government's Social Housing Green Paper, 'A new deal for social housing', which was launched on 14 August 2018. The Green Paper “aims to rebalance the relationship between tenants and landlords, tackle stigma and ensure that social housing can be both a safety net and springboard into home ownership”. This briefing examines the proposals and considers the impact on Greater Manchester.

1.2 Government also published a consultation on options for reforming the restrictions on the use of receipts from Right to Buy sales at the same time as the Green Paper. This includes proposals to reform the Government commitment that every additional home sold through Right to Buy is replaced on a one-for-one basis. A briefing on these proposals is also provided.

2 SOCIAL HOUSING GREEN PAPER

2.1 The Social Housing Green Paper, according to Government, “aims to start a national discussion to collect views on how to improve social housing.” It sets out a ‘new deal’ for social housing residents based around five core principles:

(1) Ensuring homes are safe and decent

2.2 Government views a safe and decent home as fundamental to a sense of security and the ability to “get on” in life. The emphasis on safety in the Green Paper is welcomed after the Grenfell tragedy. Following the recommendations of the Hackitt Review1, the paper calls for better information and engagement with residents on safety issues. Government wants to hear views on how the role of residents can be ensured in flagging and addressing safety issues.

2.3 The paper calls for a review of the Decent Homes Standard (dating from 2006), and points out that some safety measures, such as electrical safety and energy performance, apply to private landlords do not extend to social landlords. This is sensible and could help to address net zero carbon ambitions as well as the broader safety and quality agenda.

(2) Effective resolution of complaints

2.4 The Green Paper discusses the importance of swift and effective resolution of complaints, especially where residents have concerns about the safety or standard of their home. It includes a substantial section on removing barriers and providing support to residents seeking redress and ensuring complaints are properly and quickly addressed, particularly in relation to safety.

2.5 The paper also seeks views on the 'democratic filter' stage of the complaints process, exploring whether these local resolution procedures should be simplified or altered to improve access to the Housing Ombudsman for social housing residents.

1 Available at: https://www.gov.uk/government/publications/independent-review-of-building-regulations-and-fire-safety-final-report
**Empowering residents and strengthening the Regulator**

2.6 A priority for Government is empowering residents and ensuring their voices are heard so that landlords are held to account.

2.7 The Green Paper places a big emphasis on better performance monitoring and proposes using social landlord league tables based on key performance indicators including safety, complaints and resident engagement. Government want these easily accessible to tenants to empower them to press for better performance. The paper also suggests a possible link between residents’ experience of their landlord and allocation of Affordable Homes Programme funding from Homes England in the future.

2.8 A range of questions are raised about how residents can be more effectively involved in services and the effectiveness of existing Tenant Management Organisation (TMO) models and processes. The paper also asks if Government should be promoting the transfer of local authority stock to “community-based housing associations”.

2.9 On regulation, there is an intention to strengthen the supervision of the social housing sector, with proposals including the lowering of the current “serious detriment” threshold and reactive approach to regulation. This includes the possible extension of regulation over local authority-owned stock to a similar basis as Registered Providers, and questions about the effectiveness of regulation of Arm’s-Length Management Organisations (ALMOs) and TMOs. There is a specific question about how the regulator may be made more accountable to Parliament.

**Tackling stigma and celebrating thriving communities**

2.10 The Government held listening events with residents as part of the preparation for the Green Paper. They say the most consistent theme raised during these sessions was the perceived stigma of being a social housing tenant. Government sets tackling this as a priority in the paper, outlining the importance of challenging the stereotypes that exists about residents and their communities.

2.11 The paper sets out ambitions to celebrate thriving communities and valuing the wider work social landlords do in neighbourhood. It also outlines aspirations about improving design of new social housing and is seeking ideas as to how that might be achieved.

**Expanding supply and supporting home ownership**

2.12 The Green Paper appears to reluctantly acknowledge the continued need for new social housing, stating “[Government is] mindful that we will need to replenish the stock of subsidised housing for the foreseeable future”. It stresses its importance in its own right and its contribution to the overall supply of new housing. It reaffirms the target in last year’s Housing White Paper\(^2\) of 300,000 houses annually by the mid-2020s. However, this is wrapped in language about

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\(^2\) Available at: [https://www.gov.uk/government/collections/housing-white-paper](https://www.gov.uk/government/collections/housing-white-paper)
the need to “support social mobility” which is equated with home ownership. Government sees social homes as the “springboard to home ownership”.

2.13 The paper proposes to ease borrowing rules for local authorities to fund social house building. However, it does not offer any prospect of additional grant beyond the £2 billion announced by the Prime Minister last year, nor does it propose to replace the £400 million diverted from the development programme in order to fund cladding remedial works post-Grenfell. They instead encourage possible further Housing Revenue Account borrowing headroom, depending on evidence of demand for the £1 billion currently available.3

2.14 There is some suggestion that Government is looking to remove or restrict some of the advantages offered by local housing companies, which should “offer an opportunity for tenants to become homeowners”. The Green Paper makes it clear that the Housing Revenue Account should be the main mechanism for local authorities to deliver new affordable homes. Homes delivered in this way can be subject to Right to Buy in the future, and therefore local housing companies have so far been a more attractive proposition for local authorities looking to build and retain new affordable homes.

2.15 There are encouraging words around community-led housing and resident-led approaches to estate regeneration. Government wants to boost community-led housing and are asking for views on how to overcome the barriers communities experience to developing new community owned homes.

2.16 There are positive commitments to expand the strategic partnerships model of longer-term certainty of funding to housing providers from Homes England to generate additional affordable housing. In Greater Manchester, Great Places was successful in the first wave of key strategic partnership announcements, and was recently allocated a further £30m grant to build an extra 750 homes over the next four years.

2.17 The Green Paper promises to undertake an “evidence collection exercise” on the allocation of social housing to ensure it is used “efficiently for those who need it most” precedes the climb-down from the previous intention to impose fixed term tenancies on local authority lettings, though they remain as an option. A review of allocation policies is currently underway in Greater Manchester, and Greater Manchester is well placed to respond to the call for evidence.

2.18 The paper includes announcements of more flexible shared ownership models. This seems to be an aspiration that Registered Providers diversify and develop new products beyond social rented homes.

2.19 Government has decided not to continue their 2015 manifesto commitment to fund the extension of the Right to Buy to housing association tenants through a forced sales levy, whereby local authorities would have to sell their most valuable (vacant) stock to pay for this. They are however, going ahead with the “£200m Voluntary Right to Buy pilot” in the Midlands, which will be launched this summer,

3 More information at: https://www.gov.uk/government/publications/additional-housing-revenue-account-borrowing-programme-prospectus
to include testing a “portable discount” where a tenant buys a different property where the landlord wants to retain their current home.

**Comment**

2.20 The long gestation of this Green Paper is not reflected in the substance of the propositions it sets out. While there are some potentially positive messages and opportunities to be developed further through the consultation process, there is little encouragement for those seeking a fundamental reset of the social housing sector’s position. The paper does not suggest any view to restore higher levels of investment in socially rented properties. Further social housing development will continue largely along the same lines as in the last few years. There are also familiar and unhelpful phrases from a Greater Manchester viewpoint about the restriction of some elements of Government investment to areas of “high housing demand”, which are repeated in the Green Paper.

2.21 More interesting perhaps is what is missing from the Green Paper. The “wide-ranging, top-to-bottom review of the issues facing the sector” promised by the then Secretary of State for Communities and Local Government last year, has arguably not been delivered. There is no real attempt to address the relationship between housing costs and household income, engage in the debate about the need for social rented housing, or to resolve or structure the various different “affordable” housing products currently available. A short acknowledgement of “concerns” about Universal Credit reaches no new conclusion, and there is surprisingly little connection made to prevention of homelessness or rough sleeping.

2.22 Government is seeking views on the Social Housing Green Paper, with the consultation closing on 6 November 2018.

3 **RIGHT TO BUY RECEIPT CONSULTATION**

3.1 Government also launched a consultation on options for reforming the restrictions of spending Right to Buy receipts to make “it easier for councils to replace properties sold”.

3.2 Their proposals include:

- Extending the timeframe for spending Right to Buy receipts from three to five years for existing receipts but keeping the three year deadline for future receipts.

- Allowing flexibility around the 30% cap on the share of the costs of a replacement unit which can be funded by Right to Buy receipts – increasing the cap to 50% of build costs for homes for social rent in areas where authorities meet the eligibility criteria of the Affordable Homes Programme i.e. areas deemed to have a high affordability pressure.

- Allow local authorities to “top-up” insufficient Right to Buy receipts with funding from the Affordable Homes Programme up to 30% of build cost for

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affordable rent, or 50% of build costs for social rent where authorities can demonstrate a need for social rent, with bids for top-up to be submitted to the Affordable Homes Programme.

- Restricting the use of Right to Buy receipts on the acquisition of property and options to implement through a price cap per unit based on average build costs (potentially a cap of £122,000 acquisition cost in the North West).

- Proposal to allow authorities to use Right to Buy receipts for shared ownership units as well as units for affordable and social rent.

- Specific proposals to allow the transfer of land from a local authority’s General Fund to their Housing Revenue Account at zero cost.

- Options to allow circumstances where housing companies or ALMOs should be allowed to use Right to Buy receipts.

- Temporary suspension of interest payments, allowing local authorities a short period of time (three months) during which they could return receipts they are unable to spend to the Ministry of Housing, Communities and Local Government without added interest (currently set at 4% above base rate).

3.3 The document also consults on reforming the Government commitment that every additional home sold through Right to Buy, above a baseline of predicted sales prior to the 2012 ‘reinvigoration’ of Right to Buy, is replaced on a one-for-one basis. They acknowledge that Government has failed to meet this target and propose reforming this one-for-one replacement commitment and using a wider measurement of the net increase in the supply of all social and affordable housing. This, they say, is in line with the Government’s policies on the stock of affordable housing (which does not differentiate social rented homes). They would also expand the commitment to include replacement homes sold under the preserved Right to Buy and council homes sold other than through Right to Buy.

3.4 As with the Green Paper, there are possible advantages from some of the flexibilities proposed, but these seem unlikely to transform Greater Manchester local authorities’ ability to deliver replacements for Right to Buy losses. There is a reasonable case that the current replacement target is confusing, with the basis of a pre-2012 invigoration forecast being unclear and of doubtful accuracy given the time elapsed. However, the broadening of the wording to allow social and affordable rent homes to be considered as replacements for social rented homes lost under Right to Buy seems a significant dilution of the original commitment.

3.5 The consultation on these Right to Buy reforms runs for eight weeks and closes on 9 October 2018.

4 RECOMMENDATIONS

4.1 Recommendations are listed at the front of this report.