

The need for freedoms and flexibilities for housing associations

Introduction

East 7 is the voice of housing in the East of England. We are an informal alliance of nine of the largest developing housing associations based across the East of England's six counties.

We have long been conscious of the importance of the region: it is one of the most dynamic and fastest growing regions in the UK, home to over 430,000 businesses and 5.6 million people; it is the region with the highest level of investment in research and development; and the lowest public-sector employment¹.

More than that, the region is a mirror for the rest of England, with its spread of the different types of local authority area. To the extent that it differs it is in that there are fewer problems of poverty and deprivation than in much of England and therefore, if housing need is to be met in any region, it will be in the East.

We are keen to help government and other stakeholders understand how the housing picture will develop in the next five to ten years in England. The major aim is to move the current debate to a clearer focus on the longer term, what issues must be addressed and how we can move forward.

The key challenges and solutions

1. The current system will not provide housing across the board. Housing associations in the East of England have made a major contribution to the building of new homes but, unless alternative sources of subsidy are found, their development will be increasingly focused in expensive areas, and on larger dwellings.

If housing need across the region is to be met then housing associations will need:

- ▶ **Greater flexibility in the setting of rents**
Affordable Rent is currently confined to new tenants and some re-lets and therefore yields a limited stream of additional revenue. Greater flexibility in setting rents would help to balance a reduction in capital funding. Whilst there may be concerns that this could lead to across-the-board increases, the roll-out of the new Affordable Rents regime should offer reassurance – housing associations have varied the level at which rents are set, often well below the permitted 80%, based on their assessments of what their tenants can afford.
- ▶ **Greater freedom to use revenues generated from Affordable Rent, without geographical limit**
If development programmes are to be successful beyond the London fringe and into East Anglia, they are likely to require an increasing proportion of cross subsidy, generated mainly from the London fringe. Housing associations with reach across the region will have to balance the competing needs of different areas and the expectations of local authorities. Under the current situation Affordable Rent is only permitted as part of a development programme approved by the HCA, in collaboration with the local authority, and has geographic restrictions.

2. You can't build your way out of under-occupation. If all appropriate re-lets were reserved to allow under occupying tenants to move to smaller homes, it would still take nearly eight years to re-house all current tenants who require a downsize to 1 bedroom accommodation. Even if 75% or 80% of all new build completions were 1 bedroom homes, and all were used for downsizing transfers, it would take 11 years to re-

house all 30,000 tenants who require 1 bedroom homes.

To achieve greater efficiency and better use of social housing stock, housing associations will need greater freedom in the sale of their assets in order for them to rationalise their portfolios to best meet local housing and community needs.



Flexibility on use of assets

Housing associations are often able to dispose of stock in one location which then would allow them to build more units in another location. However, in the current system, under Section 133 of the Housing Act 1988, any housing association which is a Large-Scale Voluntary Transfer (LSVT) would need to get permission from the Secretary of State to dispose of its stock. This inhibits housing associations by creating a bureaucratic barrier to managing and rationalising their stock to provide the largest number of homes possible for the minimum public investment.



Flexibility on historic grants

Housing associations would be able to innovate to a much greater degree if historic restrictions were eased. A single home valued at £160,000 sold on a shared ownership lease, outright, or three similar homes let at market rent, could generate funding sufficient to provide:

- 2 new social homes for rent and another for sale through shared ownership; or
- make major adaptations to 24 homes, thereby enabling people with disabilities to live improved lives in their existing neighbourhood and community; or
- provide funding for 4 loft conversions to help tackle overcrowding problems of 4 families.

However, where the original property was funded by grant then the money must be returned to a separate pot called the Recycled Capital Grant Fund (RCGF). The rules are very restrictive, including being time and area limited, and limit the kinds of property that can be acquired.

3. Councils may end up housing more vulnerable people in the private rented sector instead of housing associations. Welfare reforms and changes to the rent regime will pressure housing associations to 'derisk' their income streams by allocating a higher proportion of lettings to households in work. This may result in divergence in the sector between housing associations who control their own allocations policies and those who are more dependent on local authority allocations (notably LSVTs).



Housing associations will need flexibility in allocations

Accepting the current funding regime, it is clear that housing associations will need flexibility in allocations and that this will require them to work more closely in partnership with local authorities to manage existing homes and bring forward sites to build houses on.



Sharing the risk through provision of land at 'less than best consideration'

If local authorities are able to reduce risk for the housing associations in other areas, such as with the provision of public land, this substantially changes the assessment of who housing associations can serve and what they can build. The Planning Policy Statement 3 (the framework for delivering the Government's housing objectives) allows for public bodies to dispose of their land at 'less than best consideration' (below full market price) if there is a community benefit. However, in practice, public bodies often do not utilise this rule as they are required to justify the decision to the Treasury, making the process burdensome and bureaucratic. As a result, public land is often sold for private development rather than being used for affordable housing or other community activities. We would like to see measures introduced to incentivise local authorities to use these rules more effectively.