CIH submission to the Budget 2016

About CIH

Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world.

Further information is available at: www.cih.org

CIH contact:

Gavin Smart, CIH Deputy Chief Executive/ Director of Policy and Practice

gavin.smart@cih.org

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Summary of our main points

The 2016 Budget is an opportunity for government to take further steps to address the country's housing crisis and to support a wider range of people to solve their housing needs. The five proposed measures we recommend in this submission are intended to:

- ensure the ongoing viability of schemes which provide housing and support to vulnerable people
- ensure that high value council homes that are sold are replaced
- improve standards in the private rented sector (PRS)
- reduce homelessness
- free up more family sized homes for sale.

Our proposed measures are:

Exclude supported housing from the extension of local housing allowance (LHA) rates to the social sector. Government plans to extend LHA limits to the social sector will have a particularly severe impact on schemes which provide housing and support for vulnerable people, and will make many schemes unviable. Government has said that it expects the policy to deliver a saving of £515 million between 2018 and 2021. However where schemes are forced to close this will push much higher additional costs onto other services, such as social care and the NHS. For example the average cost of providing residential care is £550 per resident, per week, significantly higher than the rent in a typical supported housing scheme.

Exempting 'specified accommodation', as well as local authority owned supported housing for older and disabled people, from this policy would help ensure the ongoing viability of many vital schemes.

Commit extra funding to ensure high value council homes sold are replaced. Government has announced that in future local authorities will be required to consider selling high value homes as they become vacant. The money raised from sales is intended to fund the extension of right to buy to housing association tenants and a new fund to enable more development on brownfield sites, as well as the building of replacement council homes.

However our analysis suggests that sales are likely to generate between £1.2 billion and £2.2 billion a year, compared to the government's estimate of £4.5 billion. This will not be sufficient to enable all of the sold homes to be replaced. Government is urged to commit to allowing a minimum amount from each receipt to remain with the local authority after each sale, if necessary using public funding to fill the gap.

Use a combination of accreditation and tax incentives to improve standards in the PRS. Building on the proposals to tackle rogue landlords set out in the Housing and Planning Bill 2015, government should seek to raise standards for people living in the PRS by facilitating the setting of a common, national set of standards for landlord accreditation, supported by a package of tax incentives for accredited landlords.

Establish a challenge fund to help tackle homelessness by enabling access to the private rented sector (PRS) and to support vulnerable people to sustain their tenancies.

Government should establish a £15 million challenge fund to support more vulnerable people to access the PRS and to maintain their tenancies. This will help to reduce repeat and long term homelessness among vulnerable people, reduce the costs to local authorities and other public services which result from households becoming homeless and build the confidence of private landlords to let to households which they see as posing a higher risk.

Introduce a stamp duty exemption for older downsizers. Government should consider removing the requirement to pay stamp duty land tax in circumstances where older homeowners on pension credit downsize to a smaller home, including adapted housing or purpose built housing for older people. We anticipate that there would be little or no loss of income for the Treasury, as the measure would facilitate transactions which otherwise may not have taken place.

Exclude supported housing from the extension of local housing allowance (LHA) rates to the social sector

Proposal: Government plans to extend LHA limits to the social sector will have a particularly severe impact on schemes which provide housing and support for vulnerable people, and will make many schemes unviable. Government has said that it expects the policy to deliver a saving of £515 million between 2018 and 2021, however where schemes are forced to close this will push much higher additional costs onto other services, such as social care and the NHS. For example the average cost of providing residential care is £550 per resident, per week, significantly higher than the rent in a typical supported housing scheme.

Exempting 'specified accommodation', as well as local authority owned supported housing for older and disabled people, from this policy would help ensure the ongoing viability of many vital schemes.

Summary: LHA caps limit the amount of housing benefit which tenants renting from a private landlord can claim to the cost of a property in the cheapest 30 per cent of those in the local area. Government have now announced as part of their 2015 Autumn Statement that they intend to extend this to the social housing sector.

We are concerned that the decision to extend LHA limits to the social housing sector will severely impact supported housing schemes, which provide housing and care/support to vulnerable groups such as older people, people with certain disabilities, victims of domestic violence and those affected by homelessness. Rent levels for these schemes are typically higher, and can in some cases be substantially higher, than those found in general needs accommodation as they reflect the additional costs associated with providing care/support to some of the most vulnerable people in our communities.

The impact of LHA caps on these schemes will therefore be significant, and will be greater still where the tenant is under 35 and so is only eligible for sufficient housing benefit to cover the cost of a shared room. A recent survey of supported housing providers conducted by Inside Housing showed that 95 per cent expect to have to close some schemes as a result of the proposed change, and that 27 per cent believe that it will render all of their schemes unviable.

Government has said that it expects the extension of LHA caps to deliver a saving of £515 million between 2018 and 2021. However this is a relatively small saving, given the extent of the impact on those affected and where schemes are forced to close this will push much higher additional costs onto other services, such as social care and the NHS. For example in 2010 the Department of Health estimated that people who were rough sleeping, living in a hostel or squat or 'sofa-surfing' used four times more acute hospital services than the general population, costing at least £85 million in total per year.

Government has also suggested that discretionary housing payments (DHPs) could be used to help meet shortfalls. However we are concerned that as DHPs are intended to be both discretionary and short-term in nature, they are unlikely to be sufficient.

We would instead recommend that government exempt 'specified accommodation' (a definition which covers most, although not all, forms of supported housing – tenants of living in specified accommodation are already exempt from the overall benefit cap), as well as local authority owned supported housing for older and disabled people, from this measure. This would ensure the ongoing viability of vital schemes and prevent much higher additional costs from being pushed onto other services, such as the NHS.

Illustrative examples: One social landlord with a large care and support arm has estimated that while the annual one per cent rent reduction (now postponed for a year pending a review) will, if implemented, cost them £420,000 in rental income, the extension of LHA caps will cost upwards of £18 million a year, making schemes unviable. Another landlord has estimated that for their supported housing stock the one per cent rent cut will cost £259,000 and LHA caps £9.5 million per year.

One landlord with around 1,000 units used for providing young people and homelessness services estimates that, as a result of shared room rate for under 35s, they will face a potential weekly loss of £92,394 from these homes.

A Midlands-based local authority has estimated that it faces a loss of £216,000 per annum for a single extra care scheme alone. The scheme consists of 82 properties of which 62 are for rent at £152 per week. However the LHA rate for a one bed property is only £84.75, leaving a shortfall of £67 per week for each unit. The authority estimates that if the scheme becomes unviable, care home provision would cost over £500 per week for each resident.

One Scottish social landlord with 81 supported tenancies estimates that the extension of LHA rates will result in a loss of either £8,550 per tenancy per year (where the tenant is under 35 years old) or £6,575 per tenancy per year. In another example from, Scotland a supported housing landlord working with 25 people at risk of homelessness under the age of 35 would face an annual shortfall of £355,108.

Commit extra funding to ensure high value council homes sold are replaced

Proposal: Government has announced that in future local authorities will be required to consider selling high value homes as they become vacant. The money raised from sales is intended to fund the extension of right to buy to housing association tenants and a new fund to enable more development on brownfield sites, as well as the building of replacement council homes.

However our analysis suggests that sales are likely to generate between £1.2 billion and £2.2 billion a year, compared to the government's estimate of £4.5 billion. This will not be sufficient to enable all of the sold homes to be replaced. Government is urged to commit to allowing a minimum amount from each receipt to remain with the local authority after each sale, if necessary using public funding to fill the gap.

Summary: Provisions set out in the Housing and Planning Bill 2015 require stock-retaining local authorities to consider selling high value properties as they become vacant. The money raised from sales is intended to fund the extension of right to buy to housing association tenants and a new fund to enable more development on brownfield sites, as well as the building of replacement council homes (two for every home sold in London).

No detail has yet been made available on the government scheme, but our analysis suggests that:

- between 2,100 and 6,800 'high-value' council homes are likely to be sold each year - significantly lower than the government's estimate of 15,000
- sales would generate between £1.2 billion and £2.2 billion a year, compared to the government's estimate of £4.5 billion
- once right to buy is fully operational, around 1.45 million housing association tenants will be eligible in the first five years, with around 10 per cent (145,000) likely to take advantage
- £1.2 billion would be around half the amount needed to compensate housing associations for the homes sold under the scheme – housing associations would need almost all of the higher £2.2 billion estimate, leaving virtually nothing for councils to replace the homes they have sold or for the brownfield regeneration fund.

We are therefore concerned that the funds raised through high value sales may not, in practice, be sufficient to enable all of the homes sold to be replaced. We urge the government to guarantee that this will happen and put in place the appropriate financial mechanisms.

The exact solution will depend on the details of how the high value sales scheme will work. However, we estimate that councils will need to retain, on average, a minimum receipt of £48,000 (£64,000 in London) in order to replace the property sold with another rental unit. We recommend that minimum receipts at this level be factored into the scheme. If necessary, this may require additional exchequer funding to ensure that housing associations can still be fully compensated for discounts on right to buy sales.

Use a combination of accreditation and tax incentives to improve standards in the private rented sector (PRS)

Proposal: Building on the proposals to tackle rogue landlords set out in the Housing and Planning Bill 2015, government should seek to raise standards for people living in the PRS by facilitating the setting of a common, national set of standards for landlord accreditation, supported by a package of tax incentives for accredited landlords.

Summary: Figures from the English housing survey show that the PRS is now the second largest tenure in England, with private landlords housing 4.4 million households - more than those housed by social landlords. The sector has been growing consistently since the early 1990s and is expected to continue to expand in the future. While many landlords provide good quality, well managed accommodation, standards are inconsistent.

Government has rightly identified a need to tackle the minority of rogue landlords who operate at the very bottom end of the market and who exploit, often vulnerable, tenants who have few other housing options. We welcome proposed measures brought forward in the Housing and Planning Bill, including proposals to introduce banning orders, to create a register of rogue landlords/letting agents and to expand the use of rent repayment orders.

However outside of this minority, there remains a need to drive up standards across the sector as a whole. Most landlords are private individuals with very small portfolios, very few are full time 'professional' landlords. For example, a 2010 DCLG survey of landlords showed that 79 per cent receive less than a quarter of their income from rent, suggesting that being a landlord is a side-line activity for most. Standards, both in terms of the accommodation itself and the way it is managed, are therefore extremely variable, with English housing survey data showing that nearly one third of privately rented homes do not meet the decent homes standard.

To improve standards government should strike a balance between supporting local councils to take enforcement action, targeted at the minority of rogue landlords, and incentivising good landlords to maintain and manage their properties well.

One way in which this could be achieved is by expanding voluntary accreditation. At the moment there are a variety of different accreditation schemes for private landlords, however the expectations they make of their members are variable and there are often few strong incentives for landlords to sign up to them. As such these schemes currently reach only a small proportion of all landlords.

Government could greatly increase the reach of landlord accreditation by facilitating the setting of a common, national set of standards. These could, for example, incorporate the energy efficiency ratings required of rented properties by 2020 and 2025. Accreditation could still be awarded and administered by a range of different bodies, however a nationally agreed set of standards would ensure improved consistency between them.

In addition, government could make a package of tax incentives conditional on landlords signing up to a recognised accreditation scheme. This could include:

- giving them a more generous tax allowance for 'allowable expenses', compared to unaccredited landlords

- allowing them to treat any improvement that is necessary to bring a property up to accreditation standard as an allowable expense, instead of deducting it from their capital gains tax liability at the point that they sell the property
- allowing them to benefit from capital gains tax rollover relief.

Establish a challenge fund to help tackle homelessness by enabling access to the private rented sector (PRS) and to support vulnerable people to sustain their tenancies

Proposal: Government should establish a £15 million challenge fund to support more vulnerable people to access the PRS and to maintain their tenancies. This will help to reduce repeat and long term homelessness among vulnerable people, reduce the costs to local authorities and other public services which result from households becoming homeless and build the confidence of private landlords to let to households which they see as posing a higher risk.

Summary: The recently announced new package of measures to help tackle homelessness and strengthen the legal safety net, including protecting the homelessness prevention grant, is extremely encouraging but we believe that local authorities could do more to prevent homelessness from arising if they were also able to provide greater support to vulnerable households to help them access the PRS and sustain their tenancies.

With the right support the PRS can provide sustainable housing for vulnerable and homeless people. However feedback from our members has highlighted concerns about limited access to the PRS (affordability and availability), with providing assistance to improve access being reported as one of the main steps taken by members to tackle homelessness in their areas.

Move-on options are also crucial to any efforts to avoid the silting up of much needed homelessness accommodation. According to Homeless Link's annual review of support for people without dependants and who are not eligible for support under the homelessness legislation, almost half of homeless accommodation projects report a lack of suitable move on accommodation as the main barrier to creating necessary churn among their projects.

Setting aside a fund of around £15 million would support more vulnerable people to access and sustain tenancies in the PRS. Crisis, backed with government funding since 2010, have already proven the value of these kinds of projects, with tenancy sustainment rates (tenancies that have successfully reached the six month point) of over 10,000 people consistently exceeding 90 per cent.

Government can therefore 'invest to save' by preventing homelessness from occurring in the first place and increasing housing options for those who present in housing need and who require additional support to access and maintain PRS accommodation. This will also incentivise landlords to let homes to people they otherwise consider to be too high a risk.

Long term and repeat homelessness are associated with people with high support needs so we believe this funding could help develop England's adoption of the Housing First model -a client-led approach where service users are provided with accommodation immediately, or very rapidly without the proviso of accepting support or refraining from using alcohol or drugs. The potential for the approach to reduce homeless in England was highlighted in research by the University of York's Centre for Housing Policy which evidenced improvements in mental and physical health and reductions in drug and alcohol use among service users. This research also identified potential overall savings in public expenditure that could be in excess of £15,000 per person per annum (approximate figures).

Illustrative examples: Housing First - Services cost between £26 and £40 an hour (approximate figures). Assuming that someone using a Housing First service would otherwise be accommodated in high intensity supported housing, potential annual savings ranged between £4,794 and £3,048 per person in support costs (approximate figures).

Crisis-led PRS access schemes - A cost benefit analysis created by the University of York was completed by 37 of these projects which showed that between October and December 2014 their housing and support interventions saved the public purse nearly £6m.

Introduce a stamp duty exemption for older downsizers

Proposal: Government should consider removing the requirement to pay stamp duty land tax in circumstances where older homeowners on pension credit downsize to a smaller home, including adapted housing or purpose built housing for older people. We anticipate that there would be little or no loss of income for the Treasury, as the measure would facilitate transactions which otherwise may not have taken place.

Summary: With new housing supply falling well short of the level we know is required, there is a pressing need to make effective use of the country's existing housing stock across all tenures.

We know that many older home owners may now have more space than they need in their homes and may be interested in moving to a smaller home that better meets their needs, but a number of factors can prevent this, amongst which is the need to pay stamp duty land tax ('stamp duty') on property purchases. When an older person with no or limited savings has to reinvest all or most of their equity in their new home, the need to pay stamp duty can be a significant disincentive to moving and in some cases they may simply not have the money to pay even the lowest rate of stamp duty due and all the other costs associated with moving as well.

Subject to a satisfactory definition of 'smaller' being developed, removing stamp duty for older people claiming pension credit will make downsizing a more viable, affordable option for many and help to free up larger homes for purchase. Targeting the removal of stamp duty on people in receipt of pension credit focuses the measure on lower income households most likely to view the need to pay stamp duty as a disincentive. This should ensure that there is little or no loss of income for the Treasury, as the measure will be facilitating transactions which otherwise may not have taken place. These households are also likely to see the greatest benefit from the reduced housing costs associated with moving to a smaller home.

We appreciate that rules would need to be set so that this tax exemption is not abused. These might include age limits (e.g. a single person or couple aged 55 or over and sole owner-occupiers of their current home), price (the purchased house to be cheaper than the house sold) and size (assessed by floor area or bed spaces/ bedrooms or a combination of these, compared with the current house).