Department of Social Care

Housing Review Recommendations Report

November 2013
Introduction

To the Hon Clare Christian, President of Tynwald and the Hon Council and Keys in Tynwald assembled

Over the past three years my Department has worked extensively with Local Authorities and other stakeholders to review the provision of public sector housing in the Isle of Man. Both central and local government are facing significant challenges to meet the growing demand for supported housing whether this is for single people, young families or older members of our population.

We are committed to providing good quality housing where it is needed, in a way which is affordable to the tax payer and to tenants in the long term. Through this report I will share the outcomes of the review work carried out by the David Tolson Partnership (DTP) on the subjects of; affordable housing, older persons housing, procurement, housing need and the options appraisal for delivery of current and future public sector housing services.

My Department has taken forward the outcomes of the work undertaken by DTP and agreed a set of recommendations which are detailed in this report. These focus on four overarching principles for delivery. These are:

- The roles and responsibilities of those involved in delivery of public sector housing;
- Operational delivery of housing services and ensuring that delivery is targeted to meet the changing needs of the Island’s population;
- Address the issue of providing a sustainable mechanism for first time buyers to secure their first homes; and
- In the long term ensure that central Government is well placed to determine what levels of investment are required and how these will be prioritised. At the same time recognising the importance of providing a level of certainty about what public sector housing is likely to cost the tax payer going forward.

I would recommend that this report be endorsed by Tynwald as a general framework for the development of housing policy over the next five years.

Hon Chris Robertshaw, MHK
Minister for Social Care
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1. **Executive Summary**

A fundamental review of public sector and affordable housing has been completed in the Isle of Man.

This report sets out the key findings of both the initial review work and the specialist follow on work that has been undertaken. The Department seeks Tynwald approval to the recommendations detailed in section 3 below which will allow the department to take forward a five year housing policy programme that will concentrate on four key areas:

- **Delivery** - Concentrate the operational delivery of public sector housing to regional platforms to provide streamlined, targeted services able to meet the changing needs of the Island. This will enable the sector to develop the necessary professional expertise to deal effectively with the demographic challenges ahead.

- **Strategy** - Redefine and strengthen the strategic role of Government in the housing sector, with the development of new legislation and a regulatory framework to support and enhance the provision of affordable housing and help the vulnerable in our society.

- **Equity** - Revise current policy on access and eligibility to more effectively target public housing need, including alternative products to assist eligible first time buyers and those wishing to aspire to affordable home ownership.

- **Affordability** - In exchange for continuing subsidy, Government will determine levels of investment and development priorities for public sector housing. This will provide a level of cost certainty for the Isle of Man tax payer.

2. **Background**

2.1 **Initial Housing Review**

2.1.1 **Overview**

In December 2010 the Department of Social Care (DSC) commissioned a review of housing provision to:

- Produce a long term analysis of the housing market incorporating forecasts of the numbers of houses required on the Island over the next 20 years, both in the public and private sector;
- Identify and analyse policy options (including implications for Government, Local Authorities and the private sector) for ensuring that housing need is met;
- Analyse the current and future role, organisation and financing of public sector rented housing and bring forward proposals for measures to meet the need in a financially sustainable manner;
• Identify and appraise options for the future provision of assistance to First Time Buyers; and
• Assess the likely demand for, and means of meeting, the need for supported accommodation for an aging population.

2.1.2 Findings
The full initial housing review report by David Tolson Partnership was published in March 2012, but in summary the initial review identified a number of key findings:

• Growing Population
  - The Isle of Man has experienced strong growth in the level of population and households over the last 50 years;
  - The population of the Island and the number of households will, according to the most recent official projections, continue to grow strongly until 2026; and
  - The fastest growing age group on the Island comprises people over the age of retirement. This will significantly affect the type of housing required.

• Demand for Housing
  - Over the last decade the growth in the supply of housing in general on the Isle of Man has matched the growth of the population;
  - A substantial building programme has improved the condition of the majority of Public Sector Housing;
  - There has been little growth in the amount of Public Rented Housing in the last 15 years; and
  - With the predicted population increase, there is a need to build 400 housing units across all sectors, public and private, each year to meet estimated future demand.

• Affordable Housing
  - The need for affordable housing comes from new households who cannot afford accommodation on the open market, existing households whose circumstances change and households presently in unsatisfactory accommodation;
  - The supply of public rented houses currently falls short of meeting need by up to 50 units per annum;
  - The First Time Buyers Scheme assists about 100 households per annum to buy new or existing properties but it is unclear how many of those households could have bought property without assistance;
  - The First Time Buyers Scheme operates at relatively low cost to Government but it confers a large benefit on households who obtain a house. It helps some households to obtain a better property then they would otherwise need.
- **Sheltered and Supported Housing for Older People**
  - Older people are the fastest growing element in the Island’s population;
  - Demand for sheltered housing across the public sector is likely to rise by at least 70 units in total over and above the existing five year programme of provision;
  - There will be a growing need for specialised housing support;
  - The existing provision of housing for older people is heavily subsidised and increasingly financially unsustainable;
  - Provision is poorly aligned with need – subsidised services are being provided to those who could pay more while other needs go unmet;
  - The current service has some weaknesses and a number of improvements in operations and provision are desirable; and
  - Development of “Extra Care” housing embracing a mix of tenures is an approach being widely adopted elsewhere.

- **Private Development**
  - The planning system needs to ensure that the supply of housing land meets future demand and contributes to maintaining affordability; and
  - Mortgage Interest Relief, which is now being cut back, costs the Isle of Man Treasury £10 million per annum and has led to increases in house prices.

- **Public Rented Housing – Stock and Tenants**
  - Ownership of Public Rented Stock on the Isle of Man is diverse and fragmented; and
  - Rents are low by comparison with neighbouring jurisdictions and especially low in terms of affordability.

- **Public Rented Housing – Financial Sustainability**
  - The Public Housing Sector is increasingly financially unsustainable with the current subsidy arrangements; and
  - The annual cost to the public purse of financing the sector will almost double over the next ten years if investment continues.

- **Reducing the Deficit on Public Rented Housing**
  - There may be some scope to reduce costs of new builds and refurbishment but this can only have a minor effect on the housing deficit;
  - The current level of Housing Deficiency can only be reduced substantially through significant rent increases over a sustained period; and
  - Increases could take several forms – flat, income related, new properties, working adults or some combination of these.
2.1.3 Options Proposed

Public Sector Housing

- Reduction or stabilisation of the housing deficit will require significant rent increases. The choices to be considered are:
  - Whether rents should be increased to reduce or stabilise the deficit;
  - Whether consideration should be given to the introduction of income related rents;
  - Rents linked to number of working adults, new properties premium, etc; and
  - Whether Public Sector rents should be set at a fixed proportion of market rents.

- Matching the limited supply of public rented housing to need calls for improved targeting of housing to those individuals in need. Consideration could be given to:
  - Reducing the income limit for public sector housing applicants;
  - Restricting new access to general needs public housing to households with children or with particular needs; and
  - Fixed Term Tenancies.

- Undertake an option appraisal for the creation of a unified public housing body which would be enabled, and required, to operate with reduced public subsidy and, would be a more effective and sustainable structure for the development and management of public housing.

Meeting Housing Need

- The Isle of Man faces a significant and growing unmet need for affordable housing. The options for meeting this need are:
  - To accelerate the development of the existing form of public sector housing – a course of action which appears financially unsustainable; or
  - To increase the role of other types of affordable housing including forms of rented housing which make less demand on public funds.

- The First Time Buyer Scheme (HPAS) has proven popular but its value for money could be improved. Possible courses of action are:
  - Replace the financial support mechanisms in the HPAS with an alternative, specifically a shared equity model which provides access to housing at low cost to the household while enabling the Public Sector to recover and reinvest the support provided.

Supported Housing

- Housing for people with special needs on the Isle of Man is growing but is making increasing demands on public resources and is not well targeted at those most in need. Many households in such accommodation could make a greater contribution to their housing costs while other households are unable to obtain suitable housing. The services provided alongside such housing are not as well developed as in other jurisdictions and the system is not well prepared for emerging needs, such as those of people with dementia. The options for addressing these issues are:
- Improve information on particular needs in the population especially those relating to older people;
- Restructure the service provision and charges applied to sheltered accommodation;
- Revise eligibility criteria for access to public sheltered housing based on both needs and means;
- Develop and improve domiciliary and supported housing services; or
- Encourage development of Extra Care Housing including provision by the private sector.

**Private Rented Housing**
- The private rented sector plays an important part in the supply of housing on the Isle of Man but within the sector many vulnerable and low income households are housed in very poor quality properties with rents paid from public resources. There is a need to ensure decent minimum quality standards in the sector.
- The development of a Landlord Registration Scheme could help improve standards especially among those landlords accommodating tenants whose housing costs are supported by public funds through social security.

### 2.2 Consultation

#### 2.2.1 Overview

In March 2012 the Department launched a public consultation on the initial Housing Review work. The purpose of the consultation was to invite comments and suggestions for potential options identified from the Housing Review and was open to all those interested.

The Questionnaire considered:
- Current rental costs for General Needs and Sheltered Public Sector Properties;
- Public Sector Housing Waiting List Applications;
- The suggestion of fixed term tenancies for Public Sector Properties;
- Supported Living Schemes;
- Delivery and Management of Public Sector Housing;
- First Time Buyers Scheme;
- Alternative options for Government Housing Schemes; and
- Feedback and Suggestions for Housing Services with regard to Private Sector Housing

The consultation was launched on 19 March 2012 and ran for over 12 weeks. The closing date for comments was initially scheduled to end on 7th June 2012, but due to an overwhelming response, the deadline was extended by a further week. The consultation received over 800 responses.
2.2.2 Findings of the Consultation

Public Sector Housing
- **Rents**
  - Strong views were received regarding private sector rents.
  - Submissions generally supported an increase of Public Sector rents to match the cost of Public Sector Housing Provision.
  - The consultation also received strong support for the regular means testing of tenants who are allocated a public sector property, although there was a recognition that circumstances (such as household make up and income) were subject to change. Furthermore, the issue over costs for administering and monitoring this by a housing provider was raised.

- **Management**
  - Local Housing Authorities suggested that local input is important, however there was the suggestion that having too many providers results in too much variation in housing practice and management.
  - Feedback from other organisations supported the combining of housing providers with the view that it would provide a more streamlined approach to service delivery, allow the development of professional expertise and efficient working practices. One Authority suggested a four plus one approach to providing public sector housing on the Island.

Affordable Housing
- The research done with applicants identified possible improvements to the existing support for house purchase; included shared equity schemes and similar alternatives to the existing House Purchase Assistance scheme.
- Feedback suggestions also included assistance with deposits for Public Sector tenants and the suggestion that a premium could be added to the rent charged over a five year period which is refunded to the tenant at the end of the period as a deposit for a house purchase.

Supported Housing
- Feedback from additional comments demonstrated that there is strong support for an increase in sheltered and specialist housing for the most vulnerable, it was suggested that providing more sheltered housing for older tenants would help to free up larger family homes for families on the housing waiting list.
- Respondents were also in favour of improving existing sheltered accommodation and the Department of Home Affairs (DHA) provided a suggestion for other options to be considered including the development of supported housing for other vulnerable groups in addition to the elderly.
2.3 **Housing Review Follow on Projects**
The Housing Review identified a number of key work streams which required further detailed work to aid the development of new strategic policies within the Sector. This work was commissioned in November 2012 and was undertaken by David Tolson Partnership.

2.3.1 **Housing Need Study**
The initial Housing Review work provided an overview and assessment of the need for affordable housing on the Isle of Man but a more detailed assessment was required in order to guide future levels of investment.

This project looked in detail at the Island’s future housing needs;
- Providing a projection of net need for additional affordable housing over the next 10 years; and
- Identifying potential options to meet that identified need.

The work examined the housing waiting lists across the Island in relation to income levels, household composition, and waiting times. Surveys and focus groups of current applicants for public sector and affordable housing were also undertaken to give further detail of housing need such as reasons for applying, urgency of need and expectations.

2.3.2 **Older Persons Housing**
The initial Housing Review work identified issues in respect of current and future housing for older people as a result of the Island’s increasing older population. It also identified some localised issues in relation to the current allocation and management of sheltered housing.

The Older Persons Housing Project looked in detail at: the current eligibility, funding arrangements and service charges for sheltered housing; profiling of specific needs of older people; and the future provision of suitable accommodation for an aging population; and identified potential options to address these issues.

2.3.3 **Procurement**
This project focussed on the costs related to the procurement of repairs and maintenance, capital new build and refurbishment. It identified there is scope for future cost reductions in responsive, cyclical and capital works by bringing together procurement and delivery of the service.

2.3.4 **Affordable Housing Options**
The Housing Review identified a case for replacing the existing HPAS support to first time buyers with alternative forms of assistance to provide more financially sustainable affordable housing provision.
The Affordable Housing Options project reviewed models for affordable housing provision and gathered information on the financial viability of these approaches, including implications for public spending. It also identified a number of potential models which could be considered in the context of the Isle of Man including shared equity and mid rent housing.

2.3.5 Option Appraisal for Unified Housing Delivery

One of the recommendations of the initial Housing Review report was to: "Undertake an options appraisal for the creation of a unified public housing body which would be enabled and required to operate with reduced public subsidy and would be a more effective and sustainable structure for the development and management of public housing”.

The Options Appraisal for Unified Housing Delivery project initially focused on how the creation of a unified housing body would compare with the current arrangements (and maybe an intermediate option) in terms of efficiency, strategic capacity, service delivery and the impact on Government Subsidy.

Following engagement with the Housing Authorities this was expanded to also include the option of the creation of a smaller number of regional Housing Bodies.

2.4 David Tolson Partnership Recommendations

Within the five work stream areas the David Tolson Partnership identified options for service delivery to the Department. These are contained in separate reports which have been published in full by the Department.

The five reports contain a series of proposals, ranging from “business as usual” improvements to fundamental shifts in existing Housing policy.

2.5 Department Consideration

The DSC has considered all of the proposals put forward by David Tolson contained in the Housing Review follow-on project reports, and have produced an agreed set of policy recommendations for Tynwald approval.

These have been considered to ensure that they meet the Department’s agreed Social Policy principles in particular:
- Better targeting of scarce public funds towards those in greatest need
- Greater use of means and needs testing
- Reduce inequalities of the “cliff edge”
- Encourage greater self-sufficiency, and
- Create stricter controls.
Furthermore the DSC has taken on board comments, concerns and issues raised by Housing Authorities, who are primary stakeholders in relation to the management of public sector housing.

There has been extensive political engagement with Local Authorities in relation to the Housing Review, with the Minister of Social Care making personal contact with Authorities to discuss the Review and the policy principles behind the proposals as they have developed. This has enabled the Minister to provide details to local politicians of the work being undertaken and seek views on how they would like to see public sector housing delivered in their areas.

There have been individual and group Housing Authority meetings with David Tolson Partnership, together with monthly officer level meetings organised by the Department.

Similarly, the Department has worked closely with the Department of Infrastructure which, through Local Government Member, Richard Ronan, MHK has been in dialogue with Local Authorities about modernising the way in which they deliver services at a local level.

The move to Regional Bodies for the delivery of operational Housing services provides a blueprint by which services can be delivered more effectively at a regional level.

3. **Policy Recommendations**

Following the above consideration, the Department has produced a set of policy recommendations which are detailed below. These concentrate on the key strategic policy areas rather than operational detail, which will be addressed separately by the Department.

We are seeking Tynwald approval to take forward these recommendations to enable the transformation of housing services on the Island and make it sustainable for future generations.

Alongside this, current policy work already being undertaken by the Department and related to the Housing Review includes the implementation of fixed term tenancies and the development of means tested rents.
### 3.1 DSC Recommendations

1. A customer-centred and proactive approach should be developed based on the experience and requirements of tenants as opposed to the current reactive service; To include Tenants involvement, shared best practice, clear service standards, comprehensive performance management framework, robust complaints process, benchmarking quality and cost, improved void management.

2. The DSC’s responsibility will be to ensure that there is sufficient capacity and capability within the public sector to meet the public sector housing needs from a national perspective. The DSC will be the commissioner of housing to ensure that this is provided to the right quality and at the right cost for Tenants and the public purse.

   This will be discharged through the following functions:-
   - Setting housing strategy and policy,
   - Determining Funding and agreed priorities
   - Legislator and regulatory role
   - Managing the wider affordable housing market including: working with partners across Government, the private and third sectors to champion the supply of new homes; determining and commissioning new affordable housing products to meet need across the Island; regulating the Island's private rented sector; developing and managing schemes to assist homeowners.

### DSC responsibility / functions - Strategic framework to include;

2a. Determining criteria for access to Public sector Housing and Affordable Housing Options,

2b. Identifying commissioning capacity within the market for the growing specialist housing provision,

2c. Assessment of Strategic Housing Need,

2d. Setting and monitoring overall Public Sector Housing rent policy,

2e. Develop and monitor property standards.

3. DSC responsibility / Functions - Funding role including;
   - agreement with Treasury on a funding plan for public sector housing covering the housing deficiency payments, the new funding for Major works and New Build,
   - agreement investment plans and funding with Housing Bodies,
   - monitoring spending and outputs against investment plans.

4. DSC responsibility / Functions - Regulatory Role including;
   - agreement of a regulatory Framework for the Housing Bodies including Governance, Service Delivery, Financial Management and Development,
   - Monitoring and auditing performance against this regulatory Framework,
   - Identifying and progressing the Legislative requirements for the Sector.
DSC Responsibility / Functions - outside public sector housing;

5. Strategic lead across the affordable Housing Sector including: working with partners across Government, the private and third sectors to champion the supply of new homes; determining and commissioning new affordable housing products to meet need across the Island; regulating the Island's private rented sector; developing and managing schemes to assist homeowners, determining housing standards.

6. Public Sector Housing (including that owned currently by the Govt, existing Housing Authorities and existing Sheltered Housing Authorities) will be managed by a small number of regional Housing Bodies.

Housing Bodies responsibility / functions;

7. Housing Bodies Responsibilities/Functions to include;

7a. These Bodies responsibilities will include;
- Allocations and Lettings,
- Rent Collection,
- Housing Management,
- Maintenance management,
- Performance reporting,
- Implementation of Housing Policy.

7b. Housing Bodies will work together with local Authorities in their current structure or under a revised structure to deliver high quality and cost effective services through joint procurement practices

7c. Housing Bodies will work together, sharing expertise and developing specialisms in order to deliver a high quality and cost effective housing service across the Island to meet changing need.

Governance;

8. Each Housing body will have its own Board of Management to include local representation from Commissioners/Councillors within its Boundary.

9. The legal ownership of the housing stock can remain with existing housing Authorities including Sheltered housing and DSC. The operational management service will be delivered via a contractual arrangement with Housing Bodies.

Financing;

10. Income and debt for the stock will be pooled by regional area and Housing Bodies will be working within operational targets set by DSC.

Commissioning;

11. An Island wide approach to commissioning and procuring older persons housing support services will be undertaken.
Strategic Development;

12. An Island wide Sheltered Housing and Elderly Persons Housing asset review will be undertaken to assess future financial investment requirements and current provision vs. demand.

13. A review of all types of existing Sheltered and Elderly Persons Housing provision will be undertaken, following on from the asset review recommendations. This will assess which existing accommodation could be re-modelled into the following specific categories:
   - Housing Only,
   - Sheltered Housing with Limited Support,
   - Sheltered Housing with Enhanced Support.

14. Review the current role of wardens and Scheme Managers across all locations where Sheltered Housing is publically provided.

15. Assess and review criteria for eligibility and allocation for Public Sector Housing to more efficiently target those in housing need. To include; shared waiting list and application process, shared eligibility criteria and access priorities.

15a. Residency on the Island - remaining at 10 years. This will help prevent individuals seeking to retire to the Island and quickly applying for public Housing.

15b. Allocation criteria will be reviewed to include: Housing Need, physical/medical conditions and financial circumstances.

16. A review of rents and service charges will be undertaken and will include: a standard method for calculating, managing and charging service charges and rents more reflective of the true cost of the service.

17. DSC to explore the feasibility of developing alternative approaches to the provision of older persons housing in particular the development of Extra Care, including: identifying demand, testing potential market provision and subsidy implications and assessing support service costs.

18. DSC to further explore the Procurement opportunities to enable regional Housing Bodies to achieve the objectives of DSC recommendation 7b to include capital and revenue investment.

19. To complete the process of compiling the stock investment requirements and then have this independently validated. Based on the outcomes from this, a decision can be taken on whether a full independent stock condition survey is required.

20. Update the new build design guide.

21. Encourage design and build development opportunities.

22. Develop an Island wide standard schedule of rates to improve job pricing consistency and transparency.
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<td>Replace HPAS with a shared equity scheme.</td>
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<td>Explore the feasibility of rent to buy and mid rent schemes including the opportunity for establishing such schemes in partnership with private developers.</td>
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<td>25.</td>
<td>Explore the details and appropriateness of selective sales, in the Manx economic context, taking into account location, suitability and demand of current public sector housing stock to rationalise and make best use of assets to meet housing need.</td>
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### 4. Policy Delivery

#### 4.1
There are a number of recommendations that require detailed work to develop the desired outcomes, including governance, legislation and regulation all of which will be required to come to Tynwald for approval as part of the due political process. However the Department wanted to make Honourable Members aware of the significant policy changes contained within the recommendations that will be progressed following ratification of this report by Tynwald.

#### 4.2
The Department will develop and bring forward a new shared equity scheme to assist First Time Buyers. Following Treasury and Council of Ministers approval this Scheme will progress to Tynwald for the necessary approvals by July 2014.

#### 4.3
The Department will continue to work with the Housing Authorities across the Island to progress the formation of Regional Bodies to provide streamlined, targeted housing services by 2016/17. This work will include the development of operational service delivery structures, governance arrangements and funding opportunities.

#### 4.4
The Department will also work with stakeholders to revise both the access and eligibility criteria for all forms of Public Sector and affordable housing by 2014/15.

#### 4.5
The Department will bring forward amendments to primary legislation to create a new regulatory framework and make statutory provision for the Department’s and regional Housing Bodies new responsibilities and functions. Following Treasury and Council of Ministers approval any amendments will pass through the Branches and be approved by Honourable Members by 2017/18.

#### 4.6
The Department will be working with the Housing Authorities to develop an all Island procurement framework to ensure consistent service delivery and value for money in relation to housing maintenance and capital investment across the sector by 2016/17.