



Briefing 07/30 April 2007

Ends and means: the future roles of social housing in England

A report by John Hills into the future roles of social housing.

Key issues

Social housing will continue to have a role to play in 21st century housing policy

It will have role in helping create genuinely mixed communities

What should its role be in encouraging social mobility and opportunities including in the labour market?

Can social housing and other support be more responsive to changing needs and enable greater geographical mobility?

1. Introduction

This report was commissioned to help the Secretary of State for Communities and Local Government “stand back and ask what role social housing can play in 21st Century housing policy” with the intention being that it be a wide-ranging review

which will open up the debate about the future of housing rather than be the end of the process. The aim of the report is to provide the background and analytical framework against which the implications of different answers to such a fundamental question can be debated both inside and outside government.

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The report can be found at <http://sticerd.lse.ac.uk/case/news.asp>.

2. Background

The Hills report provides a detailed description of the current state of social housing and provides a range of statistics and descriptions on relevant issues such as the condition of the stock, overcrowding, tenure split, satisfaction levels, employment levels and household formation projections.

The report does not make a series of specific recommendations rather it describes generic ways in which housing policy could develop. This is in line with the original remit given by the Secretary of State.

3. Key messages

Part 1 – What are we trying to achieve?

The report notes that it is not difficult to justify social housing at sub-market rents as a method of meeting housing need using arguments such as higher quality than private landlords, avoiding discrimination and affordability. However the system as it currently stands has problems such as limitations on choice and mobility, lack of consumer power over providers and the sharp differences between those who gain access to housing and those who do not. Clearly there are regional variations in terms of the cost of housing which can exacerbate these issues.

The report highlights the three main forms of housing support currently provided – means tested housing benefit; provision of housing at below market rents; and favourable taxation of owner-occupiers.

Part 2 – What are we doing?

The report notes that housing conditions have improved markedly in the last decade and that numbers of units have kept up with numbers of households as well as highlighting the fact that there are some areas for concern specifically regarding overcrowding in London and space-per-person for social tenants and levels of dissatisfaction. However the report notes that a consideration of the future for social housing does not take place in the context of crisis but it does claim that wide variations in conditions between households should remove any sense of complacency.

The report goes on to note that the role of social housing has changed over the last 25 years becoming much smaller with tenants becoming the most in need, being more likely to be disabled, unemployed, aged over 60, single or lone parents or from an ethnic minority. Tellingly more than 80% of those living in social housing today were also within the sector ten years ago.

The report details how the money spent on social housing has switched recently from that spent on supply side-subsidies reducing the cost of housing to demand-side subsidies which help people to pay for it.

Part 3 - How are we doing?

The report notes that although the social housing is more likely to reach the decent homes standard than private rented accommodation, and energy efficiency standards are better, there remain some problems in the sector. Dissatisfaction with accommodation is particularly high for tenants under the age of 45 and for black and minority ethnic tenants.

While average house prices have doubled in the last decade social rents have not risen in real terms, falling somewhat in relation to average incomes. The existence of social housing in particular has allowed tenants to be protected from the effects of rising house prices. In terms of subsidy tenants are helped most if they have low incomes whereas owners benefit most from favourable tax treatment if they have high incomes.

Social tenants are much more concentrated within the poorer parts of the income distribution than in the past and by 2004-05, 34% of all social tenants were from the poorest fifth of the income distribution and only 19% from the top half. Nearly half of social housing is now located in the most deprived fifth of neighbourhoods. If ensuring that social tenants can live in mixed-income areas is a key potential advantage of social housing, the report states that it is not being achieved. Equally the building of new social housing is disproportionately in the most deprived neighbourhoods.

In Spring 2006 more than half of those of working age living in social housing were without paid work, twice the national average. Those with the same sort of disadvantages as those suffered by social tenants are more able to find work than social tenants are.

The report notes the widely held view that the arrangements for the operation of Housing Benefit are such that it is recognised as a disincentive to work and a factor which keeps contributes to the 'poverty trap'

Factors affecting the demand for and supply of housing are noted as growth in households numbers with single persons households requiring appropriate properties; expected rates of house building will not result in a reduction in the house

price to income ratio but it may stop further rises; the fact that older property owning generations are able to support younger generations to buy homes may lead to those whose parents and grandparents are tenants remain unable to buy; pressure on social housing is expected to remain high as the number of vacancies remains lower than in recent years.

Part 4 - What else could we do?

The report notes the view that some commentators have about allowing social rents to raise to the level of the market resulting in less and possibly no government subsidy and the ability of social providers to increase the supply of homes. The disadvantages of such an approach are highlighted such as problems in high demand areas, the knock-on effects on employers and the difficulties of arranging for compensation that prevented large losses for some tenants. The reports notes that

The reports states that the focus of policy debate and of social landlords is often on the flow of new units and the treatment of new tenants. However failures in the way the existing stock is managed and maintained will have a much greater impact on tenants.

The need to reduce the extent to which social housing is located in predominantly low-income areas is noted. Approaches include large scale remodeling and rebuilding; examining allocations and access policies; diversification of stock by purchase in other areas; use of vacant land within social housing areas to provide infill housing; retaining higher income tenants through high quality management and services; and improving the incomes and employment prospects of existing residents.

The report suggests 5 directions in which housing related policies might evolve to give better employment outcomes for social tenants. These include making Housing Benefit clearer and less rapid adjustment of entitlement to changing circumstances; integrating support for housing and employment; the potential for public services of all kinds, including housing, to generate local employment such as social landlords involvement in neighbourhood regeneration programmes designed to improve links to work and skills; and expansion of choice-based lettings and other schemes to improve mobility amongst social tenants. The final approach described is more radical in nature calling for rents to increase to less subsidised levels so reducing the rationing constraints within which social housing operates and have an impact on work incentives.

Broadening the menu of alternatives on offer for tenants is also considered in the report and includes partial equity purchase and building up savings in the form of housing equity. The report notes the need to review tenants' financial circumstances on a regular basis as well as providing adequate support and advice for tenants pursuing these options.

Conclusions

The report suggests four directions in which policy could travel in coming years and where debate is urgently needed:-

- increasing the attention given to the existing stock and tenant population – based on the notion that successes and mistakes with the existing stock dwarf the impact of the flow of new units,
- supporting mixed-incomes within existing communities – options to support tenants in finding work as well as physical schemes to ensure a mix of tenure would result in a wider and more sustainable social mix,
- supporting livelihoods – encouraging those who provide support to tenant to do so more holistically or for example improving the extent to which services provided for people in low income neighbourhoods involve local residents,
- a more varied menu for both prospective and existing tenants – not all tenants fall into similar categories with some having the ability to choose from a wider set of options from others such as low cost home ownership rather than a traditional tenancy. The range of options available should be widened to reflect diversity in the tenant population.

The report concludes by stating that “we need to move beyond an approach where the key function is one of rationing and trying to establish who is not eligible for social a housing to one where the key question is “How can we help you to afford decent housing?” and “Here are your options””

4. Comments

APSE welcomes the report’s conclusion that social housing will have a role to play in the foreseeable future although an alternative opinion would have been a difficult one to justify. The manner in which it highlights the main issues to be addressed by housing policy in the future is also welcomed as is the provision of a detailed and robust analysis of housing trends. The report has followed the original remit and so not provided a set of recommendations but it is important that an approach emerges from the DCLG, either in the form of recommendations or something similar, in order to build on this work and ensure the impetus gained by the report is not lost.

It is encouraging to see that the report dedicates a section to the importance of existing stock and states that “In thinking about policy options for the future of social housing one fact stands out from the analysis in earlier sections – the importance of the existing stock and of current tenants by comparison with newly built stock and incoming tenants”. The funds invested in ensuring the ‘decent homes’ standard are met reflects the importance of keeping the current stock in good condition but there is a clear need to focus attention on both the ‘built’ environment as well as the ‘yet to be built’ environment.

A basic principle of social housing is that it exists to try to ensure that those who require support to avoid some of the problems of the pure market (such as rents they can not afford or poor quality properties) and the report confirms this. However it goes on to note that one of the reasons for avoiding radical reforms that look to move towards market level rents is that these problems are avoided. It goes on to say that this is only a policy worth following if those problems actually are avoided by the arrangements in place. The evidence presented in the report does support the argument that rents for social housing have remained below market rates but on other important issues the evidence is not so healthy. The physical condition of some social housing remains unacceptable, on average tenants are more likely to be elderly, unemployed, disabled, single or lone parents or from an ethnic minority and there is a strikingly low rate of work-related mobility within the sector. If these issues remain as causes for concern then the justification for social housing is weakened – it will appear as a policy tool that can not deliver. The point made in the conclusion, “if social housing is to fulfil its potential, new approaches are needed” is a logical one when one considers the failures of the existing arrangements.

In considering the issue of meeting the demand for value for money for public funds as well as helping those tenants who want to follow a shared equity option, the report notes that arranging this kind of option would involve a public subsidy but it would be a less expensive option than allowing the tenant to remain in a social tenancy. The argument may be a good one if considered in isolation but such a view is mistaken. Elsewhere the report notes the problems of a rationed stock and the level of demand and it is this context which should dictate policy. Any property that is sold via Right to Buy/Acquire or an equity or shared ownership scheme is a property lost to the stock – not just for a period of time but forever. This would be acceptable if the intention was to pass the entire stock over to private ownership. However if there is a need to provide social housing and if the level of building social housing units is not keeping up with demand (both of which the report confirms) then when a property is lost to the stock there may well be an individual public sector saving but there is further pressure put on the social housing sector to replace that property as well as meet existing demand. The point is that there is pressure on the whole stock and that the implications of increasing home ownership have negative impacts on the remaining social housing stock.

The report states that “While both the underlying economics and public perceptions of the prospective returns means that where people can afford it, most are likely to try to become full owners of a property”. This is the critical issue in terms of providing a social housing service. There will continue to be under-funding, problems with supply and the continuing issue of the most disadvantaged ‘stuck’ in social housing if it is seen as a second rate option which most people are trying to escape from. Satisfaction figures quoted in the report note that older tenants (possibly with a more stoical and appreciative attitude) are more satisfied with their housing than younger tenants (whose expectations appear higher). It is this latter view that will prevail and is more likely to add to the desire to move on from social housing either to home ownership or a partial stake in their home. Either way the perception noted in the report appears

likely to remain. APSE appreciates the degree of difficulty involved in changing deeply held perceptions but this is an issue which must be addressed if the problems associated with social housing are to be successfully tackled.

The Hills Report provides a detailed and relevant overview of the current housing situation and highlights the problems to be addressed. The next step is to identify solutions which will build upon the steps taken to date. APSE feels there is a need to move the debate beyond 2010 by embedding social housing within a wider neighbourhood regeneration policy that is forward thinking, meets the increasing demand for housing and breaks free of the current ineffective debate on funding. Actions which need to be taken are:-

- replacing the 'Decent Homes Standard' with a wider 'Decent Neighbourhood Standard' which will address issues around communal facilities, environmental sustainability and energy efficiency to be completed by 2020
- ensuring that new social housing policy is flexible enough to deal with the variety of circumstances found across all regions
- creating a neutrality in funding options irrelevant of management arrangements, so that stock retaining authorities can invest in their properties
- encouraging the positive role local authorities can play as providers of affordable, secure social housing in order to meet the demand of the 1.6m people on waiting lists
- clarifying funding arrangements so they are easier for housing practitioners and tenants to understand
- placing housing policy at the centre of future policies addressing wider social objectives on health, wealth, crime, education and employment with appropriate funding.

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