

Breakthrough
Britain

Housing Poverty

From Social Breakdown to Social Mobility

Housing and Dependency Working Group
Chaired by Kate Davies

November 2008

THE CENTRE FOR
SOCIAL
JUSTICE



About the Centre for Social Justice

The Centre for Social Justice aims to put social justice at the heart of British politics.

Our policy development is rooted in the wisdom of those working to tackle Britain's deepest social problems and the experience of those whose lives have been affected by poverty. Our working groups are non-partisan, comprising prominent academics, practitioners and policy makers who have expertise in the relevant fields. We consult nationally and internationally, especially with charities and social enterprises, who are the champions of the welfare society.

In addition to policy development, the CSJ has built an alliance of poverty fighting organisations that reverse social breakdown and transform communities.

We believe that the surest way the Government can reverse social breakdown and poverty is to enable such individuals, communities and voluntary groups to help themselves.

The CSJ was founded by Iain Duncan Smith in 2004, as the fulfilment of a promise made to Janice Dobbie, whose son had recently died from a drug overdose just after he was released from prison.

Chairman: Rt Hon Iain Duncan Smith MP

Executive Director: Philippa Stroud

Breakthrough Britain: Housing Poverty

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Please note that all children and adults photographed have acted as models. The quotations, references and commentary on the photographs in this document bear no relation to the actual individuals pictured.

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Preface

Iain Duncan Smith

The Centre for Social Justice came into being on a visit to a social housing estate. It was on the Easterhouse Estate in Glasgow where I began to appreciate the scale of social breakdown occurring in Great Britain. Since then we have published reports on the ‘pathways to poverty’ – educational failure, drug and alcohol addiction, economic dependency, serious personal debt and family breakdown – the care system, and early intervention for children.

This report comes full circle, focusing on the estates in which these problems are concentrated; and the policies, pursued by a succession of governments, which have created and exacerbated the current situation.

Social housing used to be the tenure of choice for the aspirational working class, those who preferred to pay a bit more to escape renting a house in a private-sector slum. In the early 1980s, council tenants’ average income was 73% of the national average. Between 1981 and 2006 the proportion of social tenants of working age in full time employment fell from 67% to 34%. Over the years, our housing system has ghettoised poverty, creating broken estates where worklessness, dependency, family breakdown and addiction are endemic.

The levels of dependency among social housing renters is quite staggering. Two thirds of social tenants receive housing benefit, despite the fact that rents are about half of those in the private sector. More than two thirds of social tenants are among the poorest 40% of the population. Children who grow up in social housing see little purposeful activity among adults: more than half the households heads of peak working age (25–54) are not doing any paid work; and a quarter are classed as permanently sick or disabled. Fathers are routinely absent from their children’s lives: 18% of social tenants are lone parents, compared with 7% of all households. Escape from this situation is rare: more than 80% of people living in social housing in 2006 were within the sector ten years earlier.

This is not a situation that will resolve itself. How can we expect different from people who never see anything different?

This report argues that housing policy is not just about providing a roof for people. Housing policy must be seen as part of broader social policy which aims to get people back to work and in a position to help themselves, their families and communities. In particular, it is part of a three-legged stool whose other legs are welfare to work programmes and the benefits system. Currently, social housing can act as a huge disincentive to going back to work, and is blocking mobility.

Instead we suggest wholesale reforms to the housing system. We want to see housing policy freed from overbearing and confused central control, so that it can respond to shifting local needs. We want to see housing providers free to establish their own tenancy agreements. And most crucially, we want to encourage tenants' aspirations: we propose rewarding social tenants' constructive behaviour with equity shares in their homes. With the privilege comes the responsibility of maintaining one's own assets; and in the long run this will transform our estates.

In creating this report, we are indebted to the fortitude and expertise of Kate Davies, the members of the working group, and Kate's team. For so many, the recommendations of this report cannot be implemented soon enough.

Iain Duncan Smith, *Chairman, Centre for Social Justice*

Chairman's Foreword

The crisis of affordability in housing today is cascading grave consequences throughout our society. First time buyers are priced out of the market and private rents are barely affordable for those who do not qualify for subsidised social (council and housing association) housing. Many people are having to spend very high proportions of their income on their housing and there is excess demand for social housing across most of the country. In response, we ration social housing, allocating it only to the most needy. Many social housing estates that were once well functioning working class communities, with a range of people on different incomes, have become, in many inner city areas, ghettos of the poorest and neediest people.

This crisis is frustrating the housing ambitions of many families in England today. More homes of all kinds are needed, to give as many as possible the chance to secure the housing that they aspire to.

Social housing presents the greatest challenges, and the greatest opportunities. An understandable response to high house prices, long waiting lists and overcrowding is to call for Government to build more social housing. But this simple call, often repeated by homeless campaigns, councils and party conferences is not a fair, realistic or deliverable option. With one in every five homes already being subsidised by the taxpayer we need to find better uses for the homes the state already owns, and for the taxpayers' money that we devote to housing.

For the one in five households which has secured social housing this means low cost living for life funded from the public purse, but often on estates where they would not choose to live. Social housing as it is deployed today is an expensive, poorly targeted investment. In short, our approach to providing an affordable home for all is unfair and unsustainable.

Those in social housing escape the realities of the housing market. They get access by proving their need is greatest, often pay little or no rent, and get their home maintained in good order for free. But escape from the market is also to be excluded from it, and everything it offers in terms of choice, wealth and mobility. Social housing has come to reinforce inequality and social division in society; the poor more than ever have become ghettoised in social housing estates getting relatively poorer, while the better off acquire an appreciating asset and can pass their housing wealth down to the next generation. As Lynsey Hanley, John Hills and many others have shown, living on an estate can affect your health, your ability to work, the type of education your children will get and your life chances.

The Government has generally moved away from the old idea that the private sector is bad and the state good. This “mixed” approach to provision is balanced and healthy and accords with how the public feel about their housing. It is well known that most of us prefer to own if we possibly can. Those who buy build up a significant asset - something to pass on, borrow against or release in an emergency. Very importantly they also have choice, security, options on moving and a sense of achievement and self esteem. Notting Hill has recently shown that home ownership is a common aspiration amongst social tenants too. Although affordability is a real issue for this group we have shown that younger tenants in particular would like to join the owner-occupier sector. Notting Hill has been working with tenants on how to make this aspiration more achievable for low income households (See Appendix 1).

In this report we explore this crisis of affordability. We also explain what has happened to social housing over the past 30 or so years, and how its changing role has intensified social divisions and disadvantaged those who have become dependent on it. We set out a wide range of recommendations on how we need to respond. For me the most important are those relating to how we best meet the needs of the poorest members of our society.

Three key propositions have arisen from our work - social housing is not a desirable destination; private ownership is preferable to state provided solutions; and councils must be given much greater freedom from central control and centrally imposed targets, so that they can adopt the housing policies and programmes that best meet local conditions.

The Government recognises that engaging residents is important. But we do not think local control of neighbourhoods, or representation on boards, is what social tenants want. At Notting Hill we have found that our tenants generally dislike “collective” solutions. They appreciate help and opportunities to improve their situation (e.g. training, work, financial advice) and that of their children. We have far more interaction with our residents as individuals than as a group. Much of what they discuss with us is personal - debt, children, relationships with neighbours. And most of our help is devoted to improving social skills and encouraging social mobility.

Our report proposes that social housing should continue to be used to meet a great range of needs, but wherever possible for shorter periods of time, to help people in a crisis or in overcoming homelessness or at the start of their housing career. It should be a dynamic resource, playing a part in helping people to get back on their feet and on with their lives. From homelessness they would take a temporary house, before renting, moving on when possible to shared equity, or outright ownership. We believe this should be the normal path to self sufficiency for the vast majority - help with housing costs is necessary, but a permanent social tenancy is not.

We therefore urge the Government to look seriously at tenure reform. Our recommendation is that councils and housing associations should be free to use new social housing, and existing social housing as it becomes available, as

they see fit. So they could grant new tenancies on whatever terms they judged most appropriate to meet the particular needs of incoming tenants.

This would require primary legislation. But the rules governing housing association lettings could be changed without legislation. As a first step the Government could change them so that associations could let social homes on assured shorthold tenancies. Notting Hill has encouraging experience of using these tenancies for people who come to us through the homeless route. We believe this tenure can be used to make management of social housing more effective, greatly reducing the need for ASBOs and other court orders. It will lead to a level of engagement with tenants that is much more difficult to achieve with standard social tenancies, enabling us to help them overcome the problems that have led to their homelessness. Regular tenancy renewal will allow them to stay put, educate their children locally and participate in the local community of their choice until they are ready to move on, fulfilling their housing aspirations and freeing up their social housing for others in need. In the few cases where this fails and tenants persist in unacceptable behaviour properties can be repossessed and made available to other families from the long waiting lists.

I would like to thank all the experts who worked with me to produce this report. Some came from the world of housing, some from local government, others from business and academia. All were challenging and engaging; we had some good debates and a few intellectual breakthroughs. From the CSJ we welcomed the determined and broad sweep intellect of Iain Duncan Smith, the gentle but firm correction offered by Philippa Stroud and the enthusiasm and commitment of the two researchers – Cameron Watt and Asheem Singh. I also had a great deal of understanding and support from the Board and staff of Notting Hill, who I don't expect to support every recommendation in its entirety, but at least most of them are open-minded and willing to question current orthodoxies. Especially I would like to acknowledge my Chairman Alan Cole who allowed me some time to complete the work, and to thank my Notting Hill colleagues Alan Davis and Catherine Harrington who put in a great deal of first class work. I know this report will stimulate the debate, but my hope is that it will also help to change the world.

Kate Davies, *Chairman Housing and Dependency working group,*
Centre for Social Justice

Members of the Housing and Dependency Working Group



Kate Davies, *Chairman*

Kate Davies is Chief Executive of Notting Hill Housing, providing about 20,000 homes across London. Kate has worked in the private, voluntary and local government sectors. She thinks social housing should be a springboard to a better life and is keen for associations to act as developers to build communities that work.



Angela Harvey

Cllr Angela Harvey was Cabinet Member for Housing for Westminster City Council from 2004–2008, and was sponsor of the Westminster Housing Commission, chaired by Richard Best. She chairs the London Councils pay negotiating body, the Greater London Provincial Council, and sits on the National Association of Regional Employers for local government. A previous European and Westminster parliamentary candidate, she cares passionately about social justice, the environment and foreign affairs.

Angela is an HR practitioner and consultant, and is an executive coach. She is a Chartered Fellow, CIPD, FRSA, holds a post-graduate qualification in general management, and is a Member of Chatham House.



David Ireland

David Ireland is the Chief Executive of the independent campaigning charity *The Empty Homes Agency*. He has twenty years experience in housing in roles in charities, and local government. He is a published author and has worked as an advisor for the BBC and the Local Government Association.



Peter King

Dr Peter King is Reader in Social Thought at De Montfort University. He has over 25 years experience in housing as a housing manager, case worker and academic. His main

teaching and research interests are in housing finance and political economy. Peter has degrees in politics and economics and political philosophy and is a fellow of the Chartered Institute of Housing.

He is the author of the author of *Choice and the End of Social Housing* (IEA, 2006) as well as 9 other books and numerous articles and papers. The second edition of his book *Understanding Housing Finance* is published by Routledge in January 2009.



Ferdinand Mount

Ferdinand Mount was Editor of the Times Literary Supplement from 1991–2002; Head of the Prime Minister’s Policy Unit from 1982–4 and Director of the Centre for Policy Studies from 1984–1990. He is a political columnist and author of *Cold Cream*, *The Condor’s Head*, *Mind the Gap* and *The British Constitution Now*.



Malcolm Offord

Malcolm Offord has 21 years experience in the City and is a partner of Charterhouse Capital Partners LLP. He is a member of the Advisory Board of the Centre for Social Justice and was a member of the voluntary sector working group which contributed to *Breakdown Britain* and *Breakthrough Britain*. He is also a trustee of *Columba 1400*, which works with young people from tough realities in Scotland and has recently established his own family charitable trust, *The Badenoch Trust*.



Mark Pennington

Dr Mark Pennington is Senior Lecturer in Political Economy, Department of Politics, Queen Mary, University of London. He specialises in the political economy of regulation with a particular interest in land use and environmental policy. He has published widely in academic journals and has completed two books on the UK system of land use planning: *Planning and the Political Market: Public Choice and the Politics of Government Failure* (2000, London: Athlone) and, *Liberating the Land* (2002, London: Institute of Economic Affairs). His new book, *Towards the Minimal State: Classical Liberalism and Public Policy*, is due for publication in 2009.



Lee Rowley

Lee Rowley has been a Westminster City Councillor since 2006, representing the socially-mixed and tenure-diverse ward of Maida Vale in north-west London. He presently serves as

Deputy Cabinet Member for Communities and Economic Development, contributing to Westminster's innovative Family Recovery programme, which draws heavily upon the Centre for Social Justice's previous work. He also sits on the Service Committee for his local ALMO and chairs a Council taskgroup on crime and anti-social behaviour within Westminster's social housing estates. Lee has a long-standing interest in the housing sector, contributing to both *Breakdown* and *Breakthrough Britain* reports from a housing perspective in 2006 and 2007.

Professionally, Lee is an Oxford-educated management consultant with experience of the transportation, education and finance sectors.



Asheem Singh, *Senior Researcher*

Asheem Singh is a Senior Researcher at the *Centre for Social Justice*. He was previously a Research Fellow at the *Policy Exchange* think tank, and was a policy adviser to Boris Johnson during his Mayoral campaign.

Asheem read law at St Catherine's College, Oxford, where he was the David Blank Scholar. He took his MA in Creative Writing at the University of East Anglia. He has written for the BBC and for independent film, and has made appearances on national radio and television. He is particularly interested using creative media to explore social justice in the contemporary Conservative landscape.



Cameron Watt, *Former Deputy Director of the Centre for Social Justice*

Cameron Watt leads a policy team at a national trade association. From 2004–8 he was Deputy Director of the *Centre for Social Justice*. He was vice-chairman of the Social Justice Policy Group's voluntary sector working group, contributing to the *Breakdown Britain* and *Breakthrough Britain* reports. He also established the Centre's charity awards programme which celebrates and rewards the work of innovative poverty-fighting groups.

Previously, Cameron worked for the *Renewing One Nation* unit at Conservative Central Office, established by William Hague in 2000, to revive the party's finest traditions of social reform.

Executive Summary

1. State of the nation

Many social housing estates are characterised by family breakdown, high levels of crime and inter-generational worklessness. Successive governments' housing policies have often exacerbated – and in some cases created – many of these problems.

Housing Poverty: from Social Breakdown to Social Mobility is the result of a year-long investigation by the *Centre for Social Justice* Housing and Dependency working group. The group comprised an array of housing experts covering policy, academia and practice and consulted a broad range of social housing experts, professionals and tenants.

This report builds upon the work of the *Centre for Social Justice* in *Breakdown* and *Breakthrough Britain*, where we identified the 'pathways to poverty': educational failure, addiction, family breakdown, worklessness, and serious personal debt. It shows how social housing policy can be part of the solution to the problems of social breakdown.

1.1 Unaffordable housing

During the last ten years, the number of new homes built has not kept pace with the growth in population. It has been even further behind the growth in the *number of households*, a symptom of a changing social paradigm.

House prices increased in real terms by more than 150% between 1997 and 2007. Taking the ratio of lower quartile earnings to lower quartile house prices – the best measure of affordability for first time buyers – there was a change in this ratio from 3.65 in 1997 to 7.25 in 2007.¹ In short, in the last ten years, *the unaffordability of housing for first time buyers has nearly doubled*. Within this, there has been significant geographical variation: from an increase of 93% in the North East to 130% in London.²

The result has been a halt to the steady increase in home-ownership charted over the last century. The number of families with mortgages fell significantly between 2000 and 2007. Younger families have been hit the hardest. In 1991, 34% of 16 to 24 year olds were mortgagees, but that figure fell to 16% by 2007.³

1 DCLG, Housing Statistics Live Table No 502

2 DCLG, Housing Statistics Live Table No 576

3 DCLG, *Housing in England 2006/7*, page 19

Many families, unable to afford home-ownership, now rent privately. The proportion of households doing so increased from 10% to 13% over the last five years; in the past 14 years, the proportion of 25–29 year olds renting privately nearly doubled: from 19% in 1993 to 36% in 2007.⁴ Private sector rents have increased at much the same rate as earnings, but average rents are now over £130 per week, and over £200 per week in London.⁵ Nearly a third of private tenants are on housing benefit.⁶

1.2 Social housing challenged

1.2.1 SORTING IN THE MOST VULNERABLE

Over the last 30 years, the role of social housing has changed dramatically. It used to be the tenure of choice for working class families who could not afford home ownership. However many of those families, as they became richer, chose to buy their own homes, helped in the 1980s and beyond by the *right-to-buy*.



Coupled with major reductions in new building, this led to a reduction in the availability of social housing. Centrally imposed allocation rules meant that social housing was increasingly allocated to the neediest families. This is known as social housing's *residualisation*.

The number of homes rented from councils and housing associations peaked at 5.5 million in 1979, with well over 90% of these owned by councils. The number has fallen steadily since then, reaching 3.8 million in 2007, with roughly half provided by housing associations⁷. Rents are well below market rents, ranging from around 60% of private rents in the North to less than 40% in London.⁸ Despite this level of subsidy, around two thirds of social tenants receive housing benefit.⁹

In the early 1980s, council tenants' average income was 73% of the national average. Since then the proportion of social tenants on low incomes has increased substantially. Today over two thirds of social tenants have incomes in the bottom 40%.¹⁰ These income figures are largely driven by the levels of unemployment. Less than half of working age social tenants are employed, and barely a third are in full time employment.¹¹

4 DCLG, *Housing in England 2006/7*
 5 DCLG, Housing Statistics Live Tables No 734
 6 Figures calculated from DWP housing benefit statistics and DCLG housing stock statistics on their respective websites
 7 DCLG, *Housing in England 2006/7*, page 15
 8 DCLG, Housing Statistics Live Tables 701, 703 & 734
 9 Figures calculated from DWP housing benefit statistics and DCLG housing stock statistics on their respective websites
 10 Professor J Hills, *Ends and Means: The future roles of social housing in England*, CASE report 34, Centre for Analysis of Social Exclusion, 2007, pages 87-88
 11 Professor J Hills, *ibid*, page 46

1.2.2 SOCIALLY IMMOBILE HOUSING

House price increases and changes in the age profile of existing tenants have greatly reduced the *turnover* of social housing; only 5% of tenants move each year. Only 4% of these moves are job-related.¹² This has led to a large increase in social housing waiting lists. 1.6 million households were on them in 2007. The number is predicted to reach two million households, equivalent to five million people, in 2010.¹³

From 2004/5 to 2006/7, 42% of households moving into social housing were one person households. 22% were lone parents. New social tenants tend to be young: 24% were aged 16–24 and a further 24% were aged 25–34.¹⁴

1.2.3 INCUMBENTS LACKING HOPE

Two thirds of the current social housing stock is on local authority estates. Almost half falls in the category of the 20% most deprived neighbourhoods in the country.¹⁵ Over 20% of social tenants, and over 25% of those on flatted estates, are dissatisfied with their neighbourhood, compared with 12% of private tenants and 8% of owner occupiers.¹⁶ Nearly 25% of social housing is in areas with poor quality environments. Nearly 20% have upkeep problems. Both figures are significantly higher than those for private rented or owner occupied housing.

Over 20% of social tenants on flatted estates report the presence of drug dealers and users as a particular problem. Fear of being burgled and general levels of crime are far higher for people living in social housing than for those in other tenures. Polling carried out for the *Centre for Social Justice* by *YouGov* found that a third of social tenants believe where they live is not reasonably safe, only 54% trust their neighbours, and nearly half believe that local schools do not provide a good education. *Many tenants and their families may have aspirations to pull themselves out of their situation, but in such hopeless conditions, maintaining aspiration is challenging.*

2. The policy solutions

2.1 ADDRESSING THE CRISIS OF AFFORDABILITY

We must increase the affordability of our housing stock and reforge the nexus between aspiration and asset-ownership. To achieve this, we advocate a *localised revolution in housing supply*. Local authorities should be freed and central allocations rules relaxed to create the conditions to produce a greater quantity of housing, especially for first time buyers and people on low incomes.

12 Professor J Hills, *ibid*, pages 51 & 109

13 Local Government Association, *Councils and the Housing Crisis*, May 2008

14 DCLG, *Housing in England 2006/7*, page 108

15 Professor J Hills, *ibid*, page 91

16 Professor J Hills, *ibid*, pages 95-97

Decisions on how resources for housing provided by the Government in the last comprehensive spending review are used must be taken locally.

Government should not set national targets for the number of social homes to be built or for the proportion of these for social rent or low cost home ownership.

Broad-brush central Government solutions such as eco-towns will do little to help community and family-centred development and have been criticised by many practitioners and experts.

Councils need to be free to decide how housing resources are deployed in their areas, balancing the needs to improve existing council homes, build new ones, and work with the private and not for profit sectors to provide a range of lower cost housing options for local residents. In balancing these resources they may want to consider the benefits of securing higher levels of investment by using public expenditure to lever private investment.

Further measures are needed to secure the quick release of surplus public sector land for new housing development, and to speed up the planning permission process. Local authorities must ensure that the public investments needed alongside major housing developments are secured in time, and that the system for securing developer contributions towards this is clear and reflects local conditions.

2.1.1 HOME-OWNERSHIP REFORMS DURING DIFFICULT TIMES

Home-ownership is the aspiration of most people. As such, there need to be measures to deal with the short term problems caused by the credit crunch, including measures to re-open the mortgage markets without re-inflating the housing price bubble. The Government has allocated funds to deal with the problem. However, these funds are meaningless if government action doesn't reach those affected.

The courts and the *Financial Services Authority* must ensure that all lenders whose loans are secured against peoples' homes take all possible steps to help borrowers who get into difficulties before they seek possession of their homes. These steps should include:

- providing access to impartial advice on the options open to home owners who are finding mortgage repayments unaffordable
- allowing borrowers to negotiate new loan agreements.

We support the *Office of Fair Trading's* recommendations on the regulation of sale and rent back schemes, and urge the Government to implement them without delay.

In the wider context, the Government must monitor closely the impact of its credit crunch package on the availability of mortgage finance, and continue to consider, in light of its success or failure, whether further measures are required. These may need to include further measures to regulate lending practices, to avoid over-borrowing and over-lending, which could create a new house price bubble.

We do not support the *New Local Government Network's* proposal that local authorities should re-enter the mortgage lending market. If would-be borrowers are unable to secure mortgages from the market, we do not believe that risks that the private sector is unwilling to take on should be shouldered by council tax payers.

We also recommend that, in these difficult times, the Government launch the Rent to HomeBuy pilots as soon as possible, and consider other ways in which would-be first time buyers might be helped to build up the deposits they need.

Mortgage rescue schemes must be implemented without delay. These schemes have cost implications for housing associations, for which they require Government support.

2.1.2 INCREASING SHARED OWNERSHIP

Shared ownership is a good way to get on to the home ownership ladder. However, the risks, both actual and perceived, are a serious barrier. If shared equity is to be viable in risk-averse times, a best practice has to be to minimise the perceived risk to the purchaser. We recommend that steps be taken to enable that risk to be minimised, so improving shared ownership and cementing its place as a viable step on the property ladder.

Wherever possible, we recommend that all low cost home ownership providers should include provision for purchasers to reduce their equity stake in appropriate circumstances.

2.1.3 INCREASING THE SUPPLY OF PRIVATE RENTED HOMES

The private rented sector has a vital role to play on the housing ladder. It should be one of the middle-rung tenures of choice for those who do not qualify for social housing, who cannot afford to buy, or indeed whose current circumstances make renting privately the most sensible choice.

Most of the expansion of the private rented sector in recent years has come from provision by amateur, buy-to-let landlords. While this has made a very useful contribution there are doubts about its long-term sustainability,

particularly given current market conditions. Institutional investment could secure its continued growth. The tax changes recommended in the report of the Government's *Rugg Review* of the private rented sector should help this. In addition, housing associations, private companies, charitable trusts, pension funds and building societies are all potential partners in expanding this product.

The sector needs to continue to adapt and root out landlords who give the sector a bad name. Voluntary accreditation schemes for landlords must be encouraged, to enable tenants to identify good landlords.

2.1.4 BRINGING EMPTY HOMES BACK INTO USE

There are over three quarters of a million empty homes in England, many of which have been empty for over six months. Many empty homes could be brought back into use with the right policy mix:

- empty homes where redevelopment is planned could be brought into use under short-life housing or property guardian schemes until the redevelopment starts
- councils could give grants or interest-free loans to owners of homes that need improving before they can be brought back into use
- councils could target empty homes which are spoiling a neighbourhood and do whatever work is needed, charging this against the property and where necessary then enforce a sale to recover their costs
- if owners are simply sitting on empty homes, councils could use Compulsory Purchase Orders or Empty Dwelling Management Orders to get them back into use.

We recommend that:

- all local authorities strengthen their efforts to bring empty homes back into use, building on examples such as the Kent and London initiatives, detailed in the report
- the Government reduces the rate of VAT on home renovations and repairs as far as possible, to remove the imbalance between the treatment of this and new house building, and the disincentive to renovate empty homes.

2.1.5 TACKLING UNDER-OCCUPATION AND SOCIAL BREAKDOWN

Many social homes are under-occupied, often because parents continue to live in large family homes after their children have left. There is no question of forcing such families to move, but more could be done to provide incentives and help for people who want to move to more suitable accommodation or are willing to do so. Freeing up family homes in this way would help tackle overcrowding problems and contribute positively to the family environment of many of the most poor.

Family homes *must* make up a greater proportion of new affordable housing. We further propose the following to increase their availability in the social housing market:

- councils must ensure that the need for more family housing is reflected in development plans and in the development programmes they support, rather than central Government's national targets
- councils should give greater emphasis to the role that tackling under-occupation can play in reducing overcrowding
- the Government should fund further demonstration projects to help authorities develop effective policies and programmes in this area. For instance charging a higher rent for households with larger homes, to create an incentive to down-size
- councils and housing associations should also be free to sell off a number of bed-sit or one bedroom homes and reinvest the proceeds in larger homes
- consideration should be given to letting larger homes for shorter terms, so that a new family can benefit once the children leave home.

2.2 HARNESSING ASPIRATION: REFORMING SOCIAL HOUSING

We need urgent steps to secure a wider mix of tenures on social housing estates. A diversity of tenure means a diversity of income and social mix. It is only through this sort of diversity that we might be able to achieve a lasting transformation.

Social housing should continue to be used to meet a great range of needs. However, the period in which a tenant finds themselves in social housing must be used to build aspiration, not stifle it. This can mean that, wherever appropriate, social housing is a step on the property ladder, used for shorter periods of time, to help people in a crisis or to overcome homelessness. It should be a dynamic resource, playing a part in helping people to get back on their feet, either by working their way from social tenancy to private tenancy, then to shared equity and finally outright ownership; or through altering the tenants' relationship with the state so that they become, not a tenant, but a part owner.

2.2.1 TENURE REFORMS

In order to allow mobility in the social housing marketplace, we must end the stifling requirement that social housing tenancy be secure for life, and rather alter it, so that it can adapt to the needs and aspirations of the tenant.

The law must be changed so that councils and housing associations are free to let social homes on whatever terms they judge most appropriate to meet the particular needs of incoming tenants.

2.2.2 HOUSING ALLOCATION REFORMS

We need to buttress this by reforming the rules on social housing allocation.

The law must be changed so that local authorities are free to use new social housing, and existing social housing as it comes vacant, as they see fit.

Councils should be free to sell homes where they so wish, either outright or on shared ownership terms, for example to create more mixed communities or to generate receipts. They should fully retain the receipts for investment in housing improvement, new social housing in other parts of their area or other social projects as they judge necessary.

Councils should be free to offer higher right-to-buy discounts and housing associations should be free to offer similar levels of discount for right-to-acquire and social HomeBuy purchases.

2.2.3 TRANSFORMING FAILING ESTATES

Linking aspiration to constructive behaviour

Some people will automatically assume that many of those who live in social housing are bereft of aspiration. Yet one of the most intriguing and important findings in our research is that those who live in social housing very often retain the *aspiration* to own their own home.

Polling conducted by *YouGov* for the *Centre for Social Justice* shows as many as 70% of those who pay their social housing rent on time retain aspirations to one day own their own home. Yet aspiration is not enough. For aspiration fails where there is no hope.

Our previous work on economic dependency, in particular the work published in *Breakdown Britain*, showed that for many of the most vulnerable in society, Government poverty indicators failed to reflect the true hopelessness of their situation. The Government predominantly uses the measure of poverty of income to measure the success of its initiatives, especially the child poverty strategy. However, this fails to take account one of the most important influences on behaviour: *poverty of assets*.

Our assessment of an individual's relative poverty necessarily changes when asset poverty is taken into account. Those who would appear to be in a situation of extreme poverty with regard to their income, are often found to be in even more extreme poverty when their relative lack of assets is considered. Our benefit arrangements often mean that many of the most poor are left on benefit incomes that offer modest financial comfort, and whose economic arrangements preclude the acquisition or saving of any sort of liquid or solid asset.¹⁷ The only outcome can be that their dependency endures.

There are qualitative behavioural factors to take into account as well. Helping to lift the most vulnerable out of income poverty is by no means easy, but it is certainly easy relative to helping them escape asset poverty. Yet the

17 This will be discussed further in the forthcoming report from the *Centre for Social Justice's* Economic Dependency working group, reporting early 2009

potential benefits from helping the most vulnerable escape are immense. The ownership of an asset encourages a series of behavioural changes. Those who own are more likely to protect their assets, to protect their position of ownership and to engage in constructive behaviours that enable their assets to be protected and enlarged, behaviours that benefit themselves, their families and the community at large.

When that asset is a share in a house, the behavioural link is made even more clear.

As a progressive society, we need to find a way to end the cycle of destructive behaviour on our social housing estates. This must involve fostering a real link between aspiration and behavioural shift. Finding a way to relieve asset poverty, to offer social housing tenants a clear, achievable means to procure their own assets is tantamount to offering hope. Along with this hope comes the incentive to behave more constructively, to take action and responsibility for one's own life. Society will benefit in every way from these behavioural shifts.

We encourage an incoming government to look at releasing some of the value in social housing to sitting tenants who pay their own rent and make a contribution to the community. This could take the form of a discount on the purchase price for those moving to outright or shared ownership.

However, the most radical approach is also the most important. We recommend that economic analysis be commissioned into the rewarding of constructive behaviour in the community, including, but not limited to, a genuine effort on the part of a social housing tenant to find work, by giving social housing tenants increasingly larger equity stakes in the home.

Having a stake in a home is both a privilege and a responsibility. It would inculcate the values of constructive social behaviour and create, from the vicious cycle, a virtuous cycle, that encourages social housing tenants to improve their own family's future.

While occupied by social tenants social housing has very little value. Turning tenants into owners releases the value of the home and allows the most vulnerable in our society to benefit. More importantly, it offers a clear message of hope, for tenants and for society as a whole.

2.2.4 HOUSING FINANCE REFORM AND ASSET MANAGEMENT

For too long, we have allowed the potential social value of social housing to be wasted. It is time for a more rigorous approach to the balance of social housing.

Local authorities and housing associations must be encouraged to produce asset management strategies that would ensure that they maximise the value that they secure from those assets, and dispose of homes which were not economic to repair, in the wrong areas or the wrong unit types.

We furthermore endorse the conclusion of the LGA's position paper for the Housing Finance Subsidy Review, which advocates a locally based finance system with genuine community engagement in the allocation of resources.

2.2.5 HOMELESSNESS REFORMS

We recommend that the current homelessness obligation be changed so that authorities are required to assess the housing and other social needs of people

who present as homeless. A new approach would focus on the underlying causes of their homelessness. This would allow an appropriate package of support to be delivered to meet those needs in a holistic way.

2.3 Towards new communities

Our vision for the development of new communities involves developers, local people and their elected representatives, and long-term managers working together to plan for social benefit, free from unnecessary centrally-imposed targets and policies.

In such new communities the objective would be to enable individuals and families to flourish. Developments would be tenure blind. Local management could be delivered by a private or charitable managing agent, with the local authority setting the objectives and monitoring outcomes. The landlord/managing agent would be taxed on profits if these were not reinvested in the community. *The stigma attached to strictly social housing would end.*

2.3.1 DELIVERING SOCIALLY MIXED COMMUNITIES: FLEXIBLE HOUSING FOR ALL

The homes offered to people requiring financial support with their rent should not be distinguished by design or location. Their tenure should be flexible enough to change as the household's circumstances changed. In order to achieve this, the first barrier to break is that of the 'affordable homes' requirement, and the freezing of tenure associated with it.

We recommend that the requirement that a proportion of new homes are built as 'affordable homes' in perpetuity is removed.

A well-maintained and successfully managed environment is critical to the success of a neighbourhood. We need to ensure the effective delivery of management services and that all members of the community take an active role in maintaining a good environment.

We recommend that developers who gain planning consent should be charged a tariff for the number of homes constructed. Together with the surplus from homes rented to people in need (referred by the Local Authority), this would create an income stream to pay for local community workers, employment and training schemes etc. Consequently the new communities will ensure better outcomes for all with the maximum social benefit.

2.4 Encouraging employment and economic independence in the social sector

Getting people from welfare into work should be a first principle of government, and the drive to encourage social and economic mobility should be the key focus of all agencies working with the poor and families in need. Once people are earning their own living they can begin to exercise greater choice about their housing, and every other part of their lives.

Housing benefit and other welfare systems need to be reformed to ensure that people on low incomes have sufficient extra resources (while they need them) to purchase housing within their area that meets their needs. They should be free to choose what form of housing and its location. Ideally this would not be a ‘housing benefit’ but an undifferentiated subsidy that they could spend as they choose.

The new *Homes and Communities Agency and Tenant Services Authority* must ensure that their policies, programmes and approaches encourage social housing providers to tackle the high levels of worklessness among their tenants, embedding this into their core business.

Detailed proposals on housing benefit reform will be set out in the *Centre for Social Justice* Commission on Economic Dependency’s forthcoming report, alongside wider welfare reform proposals.

2.4.1 COMMITMENT CONTRACTS

While commitment contracts are certainly not a catch-all solution, there should be a new requirement that new working age tenants – in particular the half of new tenants who are under 35 – and their landlords sign commitment contracts under which the tenant agrees actively to seek work and the landlord agrees to provide or access support such as training or childcare to help them do so. This would operate alongside the new, locally determined, tenure system that we propose in Chapter 2 of the report.

2.4.2 PROMOTING ENTERPRISE AMONG SOCIAL TENANTS

Greater efforts are needed to help economically inactive social housing tenants who want to be self-employed to build their own businesses.

We propose lifting the restrictions concerning using social housing as a place of business.

2.5 The young, the old, the hard to help

It is an unfortunate truth that, in general, vulnerable people living in social housing receive far more support than equally vulnerable people who own their own homes or rent privately. We believe that it should be the need of the individual that determines their access to services, rather than the fact of their tenure.

The support services offered to social tenants should be made available to all older and disabled people, regardless of their tenure.

We believe that the principles currently applied in Foyers, described in the report, should be used to determine the rights and responsibilities and support needs of young people living in council and housing association accommodation.

At the other end of the scale, for the most disruptive tenants, we advocate an approach that combines the provision of intensive support in specifically designated accommodation – let to the families on family intervention tenancies – with clear enforcement rules aimed at ensuring that their behaviour improves.

2.6 State, landlord and tenant

2.6.1 HOUSING PROFESSIONALS: A NEW RELATIONSHIP BETWEEN THE TENANT AND LANDLORD

Housing managers should become specialists in meeting the support needs of the most vulnerable. They should act as advocates for social and economic mobility. This should form part of a more personalised, nuanced system of allocation, which allows prospective tenants to be able to select the services they need to set them on the road to fulfilling their aspirations. We need to be able to *differentiate the offer* we make to social housing tenants, to take into account their own capacity to help themselves and fulfil their own aspirations.

We need to differentiate the offer. Those who are able to meet their own housing needs could access services themselves, or manage their own homes, as in the private sector. Resources could then be more effectively directed towards those who need a lot more support than is currently available, and housing staff could become more specialist in meeting peoples needs.

2.6.2 THE RELATIONSHIP BETWEEN THE TENANT, LANDLORD AND THE STATE: HOUSING ORGANISATIONS AS SOCIAL ENTERPRISES

We propose that housing organisations should be run as social enterprises. Tenants should be given a range of housing options from which to choose, and should be able to act as customers, able to take their custom elsewhere.

The housing organisation would be able to respond to demand and develop new innovative products that meet people's needs. In a rapidly changing housing market, a dynamism of approach is necessary if we are to transform failed estates and swathes of dysfunctional social housing, thereby addressing housing poverty in our country today.

CHAPTER ONE

An Affordability Crisis

1.1 What's up?

For some time, getting a house in the United Kingdom has been an expensive affair. There are several reasons for this. There are demographic trends: the United Kingdom's population is increasing. There are social trends: the number of households in the United Kingdom is increasing at a higher rate still. Both increases are projected to continue for a long time. Now, as for many years previously, the supply of new housing is below the level needed to meet demand. The proliferation of domestic mortgage and credit products has been a contributing factor to aspiration and demand. This also has helped drive house prices upwards.

There have been significant falls in house prices recently. This has had several consequences, one of which is that housing has become somewhat more affordable. Yet, in due course, the underlying trend will continue, and it will be made worse by the concomitant decline in housing supply. The most up-to-date commentary suggests that prices will stabilise again late next year or early in 2010. After that, prices will start to increase again.¹ We can say with some confidence that the fundamentals of the United Kingdom's housing market are such that, for the many rather than the few, we have and will continue to have a *crisis of affordability* in housing.

In the past few years, many entrepreneurs have profited from this. However, for every new property millionaire, great swathes of society have lost out.

Today, for many, the aspiration to own one's home is unrealistic. For young people especially, the only option is to rent. The rental sector has its own problems. Despite a recent renaissance in the private sector, long years of decline mean that demand still outstrips supply.

Successive governments reduced the level of investment in rented housing provided by councils and housing associations. Social housing programmes have been expanded again in recent years, although they remain well below historic levels. Combined with a loss of housing stock through *right-to-buy* and a reduction

“For many, the aspiration to own one's home is unrealistic...the only option is to rent.”

¹ See for example Professor David Miles evidence to the Treasury Select Committee, 14 October 2008, and Liam Bailey, head of residential research at Frank Knight, quoted in the *Financial Times*, 15 October 2008

in the numbers who leave social housing, these policies have inaugurated a huge increase in the numbers of households on housing waiting lists.

This chapter, and indeed this entire paper, emphasises radical, urgent reform. Tough policy decisions must be taken if the crisis is to be resolved. We offer a new framework for moving forward. We must boost supply of new homes, but we

“We must make the best possible use of the existing stock by tackling under-occupation and bringing empty homes back into use.”

must also make the best possible use of the existing stock by tackling under-occupation and bringing empty homes back into use. Government has a major role to play, however we must encourage a diversity of investment into the housing market, including private investment of all kinds.

The challenges vary greatly between and within regions. They cannot be solved by centrally imposed policies, targets and programmes with insufficient local flexibility. A recurrent theme of this report, buttressing the fresh approaches we propose, is that it is good to devolve housing policy design and delivery. Government must empower local authorities to adopt local policies that meet local challenges.

1.2 A modern history of housing

At the beginning of the 20th century, the housing picture was dismal. Over 90% of households rented their homes from private landlords, less than 1% from local authorities and housing associations.² 15% of households did not have a house or flat to themselves.³ Tenants suffered from high rents; disease and strife often festered.

After the First World War, the Government responded by requiring local authorities to assess local housing conditions and provide municipal housing, subsidised by central government. The stipulation was that rent should be kept below market level. Between 1919 and 1939 some 2.1 million new homes were built, 1.2m by local authorities and 0.9 million by the private sector.⁴ Alongside this development of municipal housing, controls on the rents that private landlords could charge, first introduced during the war, were continued. This severely reduced private investment in rented housing. By the start of the Second World War some 35% of households were owner occupiers, some 10% rented from their local authority, and private renting had declined to some 55%.⁵

Immediately after the Second World War there were again major housing shortages, serious overcrowding and much slum housing. The Attlee Government responded by embarking on major council house-building and slum-clearance programmes. These programmes were continued by the Conservative Governments of 1951-1964: over half the 300,000 homes built

2 R Slater & S Wilcox, *Five Cities: a Century of Change*, Housing Finance Review 1999/2000, pages 21-22

3 A Holmans, *British Housing in the Twentieth Century: an End-of Century Overview*, Housing Finance Review 1999/2000, page 17

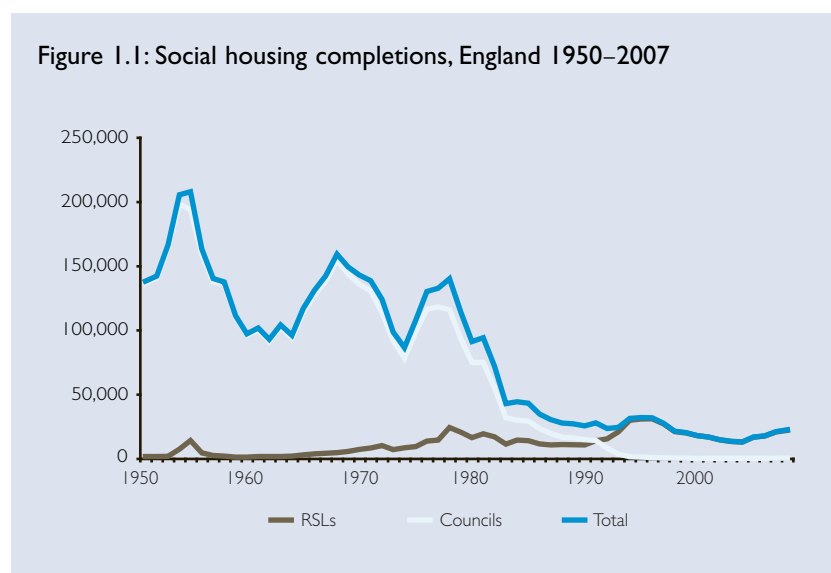
4 A Holmans, *ibid*, page 17

5 A Holmans, *Housing Policy in Britain: a History*, 1987

annually under Harold Macmillan were council houses. Council house-building fell somewhat in the late 1950s and 1960s, as private house-building expanded. Overall, between 1950 and 1975 some 4.3 million public sector homes were built in the UK, some by new town development corporations but most by local authorities, compared with 3.9 million private sector homes.⁶

The Conservatives tried to encourage more investment in private rented housing by de-regulating rents for new lettings in 1957, but controls were re-introduced in 1965 by the new Labour Government. Favourable tax treatment for owner occupiers was introduced from the mid-1960s onwards with mortgage interest tax relief and the abolition of Schedule A Income Tax on owner occupied housing, making it easier for less well off households to afford owner occupation. The Government also introduced financial support for housing associations to provide more social housing.

The economic crisis in 1976 led to further reductions in new social house-building. Only 91,000 new social homes were built in England in 1979. The Thatcher Government cut the new social housing programmes and restricted the building of new council housing, preferring to get housing associations to build the new social housing it judged necessary, taking advantage of their ability to raise private finance. These changes meant that in 1991 only some 23,400 new social homes were built in England. Nearly two-thirds of these were built by housing associations. The programmes were expanded somewhat in the early 1990s, with some 32,000 new social homes built in 1994, before being cut back again.⁷ The Government has recently expanded the programme again. It has introduced changes that may lead to an increase in new council housing provision. Chart 1.1 shows the pattern of new social house building since 1945.



6 Department for Communities and Local Government (DCLG), Housing Statistics Live Table 244
7 DCLG, *ibid*

The number of council houses in England peaked at 5.14 million in 1979, equivalent to 29% of all dwellings. With housing associations providing 368,000 homes, the social rented sector accounted for nearly one third of homes. Private renting had fallen to 2.2 million (12%) and owner occupation had increased to over 10 million (55%).⁸

In the 1970s, some councils started to sell their homes to tenants who wanted to buy them. In the 1980s, the Conservative Government introduced a general *right-to-buy* for council tenants at prices discounted to reflect the period for which they had been paying rent. It also introduced a programme of large-scale transfers of housing from local authorities to housing associations. The current Government has continued the Conservative policy of right-to-buy, though with smaller price discounts. It has also continued to support transfers to housing associations as one of the ways of securing private investment for social housing.



The introduction of right-to-buy in the 1980s was accompanied by the creation of secure tenancies under which council tenants were given life-long security of tenure.

Equivalent security was subsequently introduced for housing association tenants.

The private rented sector was de-regulated by the Conservative Government in the late 1980s, leading to a reversal of its decline in recent years, and prompting significant growth, driven principally by new landlords investing in buy-to-let properties. One in ten UK house purchases in 2007 were by buy-to-let investors, and over 1.1 million buy-to-let mortgages, worth some £133 billion, were outstanding at the end of August 2008, equivalent to some 40% of private lettings, and 9% of all mortgages.⁹

As a result of these policy changes, by the end of 2007:

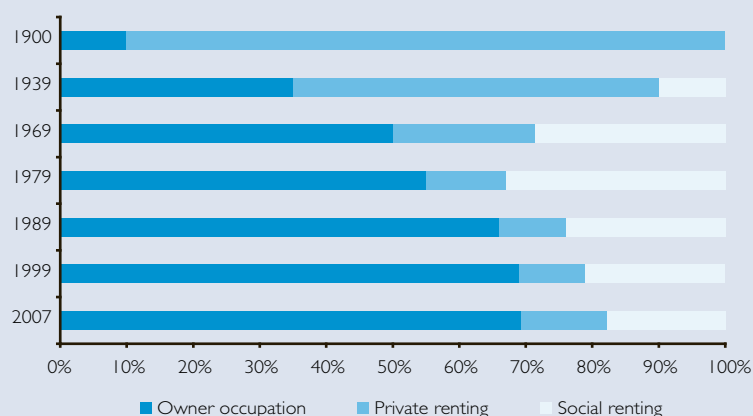
- the number of council houses had fallen from a peak of over 5 million in 1979 to just over 2 million
- the number of housing association homes had grown from under 400,000 in 1979 to 1.9 million
- the total number of households in the social rented sector had been falling steadily since 1979 as sales exceeded new provision, with its share of the total number of homes falling from 31% to 18%
- the number of households renting privately bottomed out at 1.85 million in 1989, and had risen to 2.7 million
- the overall tenure split was, approximately, 70% owner occupiers, 13% private rented, 18% social rented.

Figure 1.2 summarises these changes.

⁸ DCLG, Housing Statistics Live Table 104

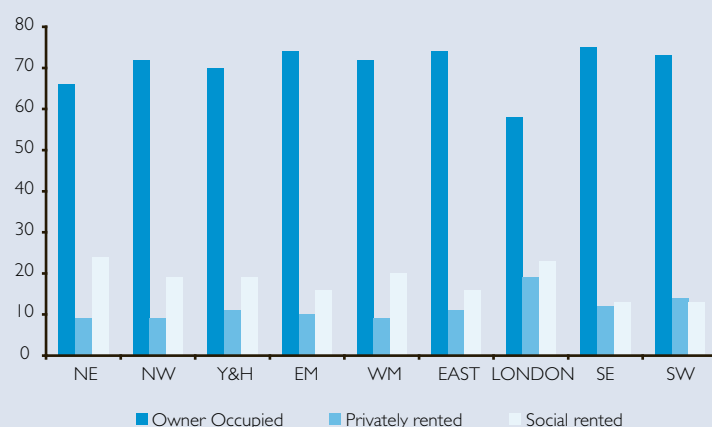
⁹ Council of Mortgage Lenders, Buy to Let Mortgages Market Summary Statistics, August 2008

Figure I.2: Housing tenure changes



There are significant regional variations in the distribution of housing tenures, as figure 1.3 shows.

Figure I.3: Tenure breakdown by region



It should be noted that London is another case altogether. Only 56% of dwellings are owner-occupied, 20% are privately rented and 24% are social rented. In the rest of England owner occupation ranges from 74% in the South East to 65% in the North East and social renting from 24% in the North East to 13% in the South East.¹⁰

1.3 Housing aspirations and choice of housing tenure

The changes in housing tenure mix were driven by the regulatory, fiscal and subsidy policies. However those policies were, to a large extent, responses to

10 DCLG, *Housing in England 2006/7, September 2008*

market demands and consumer choice. After the First World War, as households became wealthier, more could choose to be owner occupiers. Wherever possible, those unable to afford to buy chose to move from private renting to council housing. This trend accelerated with the council house-building programmes of the post-war years.

35% of households were owner-occupiers by the start of the Second World War and the economic growth following the Second World War meant that more households could afford home ownership. Numbers swelled further as the right-to-buy enabled more council house tenants to choose to switch to home ownership. The more recent increase in house prices has stopped the growth in owner occupation. Most of these households rent privately as they do not qualify for social housing, but owner occupation remains the tenure of

choice for the vast majority of people. The 2005 British Social Attitudes Survey found that 82% of people would choose owner occupation if they could, including nearly half of council and housing association tenants.¹¹

Enthusiasm for home ownership among young people is higher still. A 2007 BMRB survey undertaken for the Council of Mortgage Lenders found that 84% of under 25s hoped to be owner occupiers in ten years time.¹³ And people living in rented homes also aspire to home ownership. A survey conducted among tenants of Notting

Hill Housing found that 75% of them would like to own a home if they could afford to. 60% of those who said they would prefer to continue to rent were over 60.

Reasons for preferring home ownership include:¹⁴

- Security
- The freedom to do what you want with your home
- The sense of ownership
- Better value for money
- Being able to pass the asset on
- Investment opportunity

Other benefits include:

- Greater choice about location, size, price and type of home
- Flexibility about moving or altering when the families' needs change
- An enduring belief that rent money is "dead money"

“I never envisaged having to still be paying a mortgage when I was 50, 55 ... but it's mine. It's my house. I pay the bills, I pay the mortgage and it's all mine.”

BMRB / CML Consultee¹²

11 National Centre for Social Research *British Social Attitudes: the 22nd Report*, December 2005
 12 BMRB/CML Technical Report, *The Decision to Buy*, July 2005
 13 Bob Pannell, Head of Research, Council of Mortgage Lenders, *CML Housing Finance*, Issue 01 2007
 14 J Smith, *Understanding Demand for Homeownership: aspirations, risks and rewards*, Council for Mortgage Lenders, 2004.

“You are just throwing money away if you are renting and it would have been nice to be throwing a lot of money away on [mortgage] interest [as]... it’s still our house at the end of it.”

“For me it was the next step for a relationship; to get something together that we could share, not with anybody else but... [on] your own.”

BMRB/CML Consultees¹⁵

Furthermore, there is an academic weight of opinion behind the claim that the benefits of owner-occupation extend to the wider community. Owner-occupiers are more likely to engage in neighbourly life and local activities, to enhance their community and protect their own property interests.¹⁶

There is evidence of dashed aspirations among social tenants. When housing association tenants were asked about their previous expectations for housing in the Housing Corporation’s 2008 survey, 44% said that they had always thought that they would own their own property.¹⁷

1.4 Housing supply

As figure 1.4 shows, house building has declined substantially since its peak in the late 1960s.¹⁸

In 2001 only 129,500 new homes were completed, the lowest figure since the Second World War, and over 220,000 less than the number completed in 1968. The present Government has taken a number of measures to try to boost supply since then, but by 2007 these had only brought completions back to late 1980 levels, and following the credit crunch and house price crash numbers are falling once more.

Housing completions in England peaked at just under 175,000 in 2007, and 15% less homes were completed in the first half of 2008 compared with the first half of 2007.¹⁹ More significantly, the *National House-Building Council* recently reported a 54% reduction in the total number of applications to start new homes in the third quarter of 2008 compared with the same period in 2007,²⁰

“In 2001 only 129,500 new homes were completed, the lowest figure since the Second World War.”

15 BMRB/CML Technical Report, *The Decision to Buy*, July 2005

16 P Saunders, *A Nation of Home Owners*, 1990, cited in Lundqvist, L.J, ‘Property Owning and Democracy – Do the Twain Ever Meet?’ in *Housing Studies*, 1998, Vol. 13, No. 2, pp. 217-231

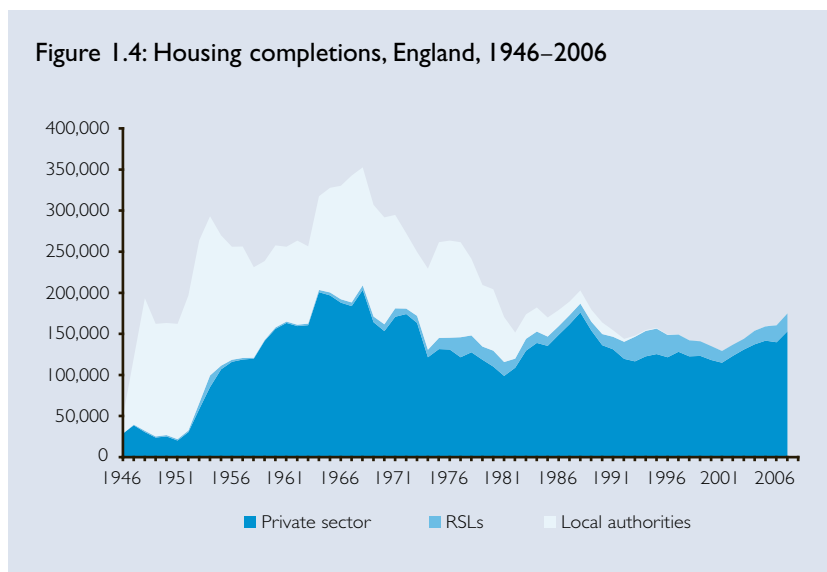
17 Bmg research for the Housing Corporation Centre for Research and Market Intelligence, *Housing Corporation Panel Survey 5*, July 2008

18 DCLG, *Housing Statistics*, Live Table 244

19 DCLG, *Housing statistics*, Live Table 213

20 NHBC press release, *Home Starts Continue to Fall*, 24 October 2008

and the *Royal Institution of Chartered Surveyors* has predicted that less than 100,000 homes will be built in 2009.²¹



1.5 Population and household growth

England’s population is projected to increase by 8% (over 4 million) between 2006 and 2016, and by a further 7% by 2026.²² The number of households is projected to increase more rapidly. *The Department for Communities and Local Government* (DCLG) has not yet published household projections based on these latest population projections, but their 2004-based projections show households increasing by 11% (2.3 million) between 2006 and 2016, as the average household size continues to fall, and by a further 9% by 2026.²³ Household projections based on the 2006-based population projections are likely to be even higher.

As table 1.1 shows, the number of single person households is projected to increase far more rapidly than other households (by 23% between 2006 and 2016, and by a further 19% by 2026). The highest rates of growth of one person households are projected to be in the 35–64 age range, with this age range accounting for 56% of the total growth. Couple households are only projected to grow by 3% between 2002 and 2016, and a further 3% by 2026.

As table 1.2 shows, the household growth rates vary significantly across the regions, from only 6% between 2006 and 2016 in the North East to 13% in the East Midlands, East and South West regions. A sound housing policy must recognise the scale and effect of these projected regional variations.

21 RICS press release, *RICS UK construction market survey*, Q3 2008, 6 October 2008

22 Office for National Statistics 2006-based national population projections, published October 2007.

23 DCLG Revised 2004-based household projections, February 2008.

Table 1.1: Household projections, England (thousands)

Household type	2006	2016	2026
Married couple	9,415	9,050	8,897
Cohabiting couple	2,181	2,944	3,424
Lone parent	1,656	1,832	1,930
Other multi-person	1,451	1,629	1,776
One person	6,815	8,382	9,948
Total households	21,518	23,836	25,975
Average household size	2.32	2.20	2.11

Table 1.2: Regional breakdown of household projections

Region	2006	2016	2026
North East	1,107	1,176	1,229
North West	2,940	3,215	3,453
Yorks & Humber	2,178	2,425	2,645
East Midlands	1,848	2,081	2,290
West Midlands	2,239	2,433	2,607
East	2,372	2,678	2,968
London	3,175	3,511	3,835
South East	3,443	3,807	4,160
South West	2,214	2,508	2,789
England	21,518	23,836	25,975

1.6 Affordability of home ownership

The mismatch between supply and demand has inflated house prices much faster than other prices: on average 2.8% per year over the last 30 years. Figure 1.5 shows the long term trend. Since 1997 house prices have increased by more than 150% in real terms.

House price inflation started to slow in September 2007. By September 2008 the Halifax and Nationwide house price indices were both showing annual house price falls of around 14%.²⁴ The Government's house price index, which lags behind the building societies', showed an annual house price decrease of 5.1% in September 2008, down from a high of over 12%, and nearly 20% in London, in 2007. Figure 1.6 below shows the trend over the past two years.²⁵

²⁴ Nationwide press release, *House Prices in the Fall*, 2 October 2008; HBOS plc press release, *House Price Index September 2008*, 9 October 2008

²⁵ DCLG, *House Price Index August 2008*, 11 November 2008

Figure I.5: Average UK house prices 1977–2007

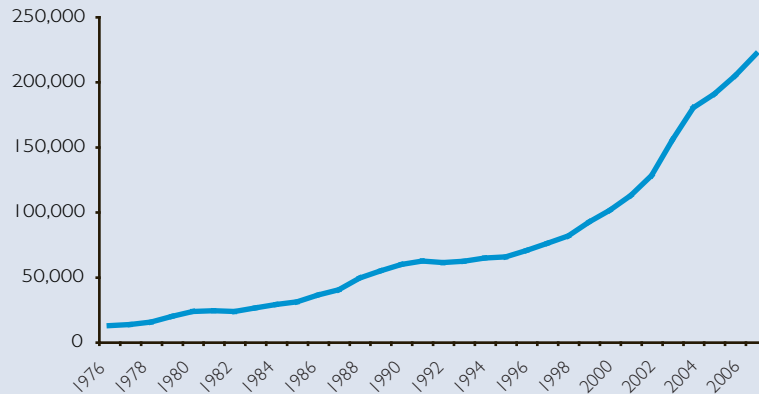
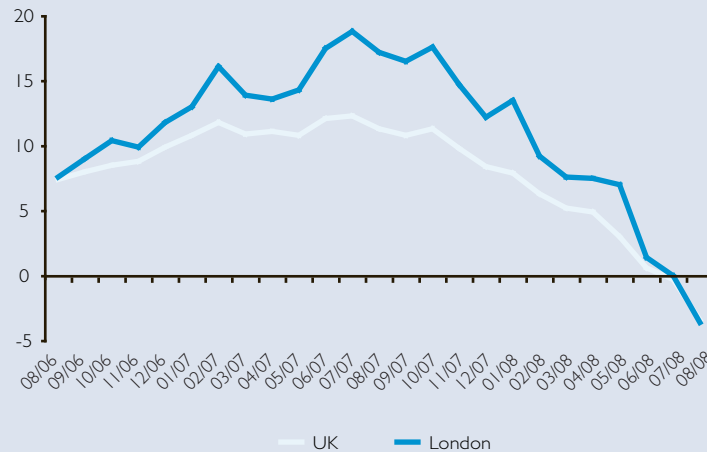


Figure I.6: UK annual house price rate of change (all dwellings)



There is general agreement that these falls are likely to prove temporary, driven mainly by much tighter mortgage availability following the credit crunch. Prices are likely to stabilise late next year or early in 2010 and then resume their historic upward trend, unless supply is dramatically increased.

These house price increases have had a dramatic impact on affordability. The Government’s preferred indicator of affordability is the ratio of lower quartile earnings to lower quartile house prices – the lower quartile figure is the figure below which 25% of house prices or incomes fall, and above which 75% fall. For England as a whole this ratio has nearly doubled in the last ten years – increasing from 3.65 in 1997 to 7.25 in 2007. Within this figure there is significant geographical variation, as table 1.3 shows. In the North East the ratio increased by 93%, whereas in London it increased by 130%.²⁶

26 DCLG Housing Statistics live tables No 576

Table I.3: Ratio of lower quartile house prices to lower quartile earnings

Region	1997	2007
North	2.86	5.51
North West	2.99	5.94
Yorks & Humber	3.15	6.26
East Midlands	3.28	7.03
West Midlands	3.47	6.88
East	3.75	8.56
London	3.99	9.14
South East	4.32	8.89
South West	4.07	8.96
England	3.65	7.25

These increases have led to a trebling in the average price paid by first time buyers over the last ten years, whilst their average income has only doubled. Again there are significant regional variations in these figures:²⁷

Table I.4: Average house price and income for first time buyers in England

Region	Average house price			Average income		
	1997	2007	% increase	1997	2007	% increase
North	37,426	108,113	189%	16,804	32,267	92%
North West	44,978	121,356	170%	18,424	34,821	89%
Yorks & Humber	43,021	119,722	178%	18,151	34,206	88%
East Midlands	44,342	124,019	180%	18,906	34,539	83%
West Midlands	46,306	129,726	180%	18,763	35,303	88%
East	50,809	150,222	196%	20,748	38,832	87%
London	73,962	258,756	250%	26,832	63,341	136%
South East	63,155	186,239	195%	24,086	46,321	92%
South West	53,211	163,377	207%	19,995	40,816	104%
England	54,775	166,527	204%	21,427	43,219	102%

27 DCLG Housing Statistics live tables, No 515

What is the result of this? Variable rising prices aside, the following themes emerge:

- **Exclusion from the home ownership ladder.** In 1993 and 1994, 55% of mortgages went to first time buyers. In 1999 the figure was 47%, amounting to 592,000 households. By 2004 the proportion had fallen to 29%. While the proportion recovered somewhat to 35% by 2007, this still only amounted to 356,000 first time buyers. There were only 110,000 in the first half of 2008 (representing 38% of all loans).²⁸
- **Higher deposits & monthly mortgage payments.** Those households that have managed to get onto the home ownership ladder have done so by a combination of higher deposits (up from an average of 10.9% of the purchase price in 1997 to 17.2% in 2007) and devoting a higher proportion of their income to mortgage repayment (from an average of 17.9% in 1997 to 23.5% in 2007).
- **Proportionally fewer owner occupiers.** The result is a halt in the steady increase seen over the whole of the last century in the proportion of owner-occupying households. In England the proportion peaked at 71% in 2004, and fell back to 70% in 2006.²⁹ The number of mortgaged households peaked at 8.53 million in 2000, and had fallen to 8.07 million by 2007.³⁰
- **Younger people hit the hardest.** The fall in owner occupation has been particularly marked among younger households – 41% of people aged 20 to 24 were owner occupiers in 1984, but that figure had fallen to 20% in 2003/4, with an equivalent increase in those renting privately.³¹ And the 2006/7 Survey of English housing found that the proportion of under-30 households buying with a mortgage fell from 40% in 2001 to 34% in 2007.



A significant proportion of younger working households cannot afford to buy homes in their local market. Professor Steve Wilcox calculates that for Great Britain as a whole 28% of younger working households that can afford to pay rent above the average local social housing rent could not afford to buy a 2/3 bedroom home at the bottom of the local housing market in 2007. This proportion increased to 41% in London, and to over 50% in specific parts of London, the South West and South East.³² The proportions will have fallen somewhat as average house prices have come down, but severe constraints on working households' home

28 Council of Mortgage Lenders statistics, Table ML2 - First time buyers: lending and affordability.
 29 DCLG Housing Statistics live tables, No 109
 30 DCLG, *Housing in England 2006/7*, September 2008
 31 Mark Andrew, University of Reading Business School, *CML Housing Finance*, Issue 07, 2006
 32 Steve Wilcox, *Can't Supply: Can't Buy, the affordability of private housing in Great Britain*, Hometrack, July 2008

ownership ambitions clearly remain. These households will not qualify for social housing and therefore, the few able to benefit from shared ownership aside, will have to rent privately.

1.7 Shared ownership

The Government has developed a number of intermediate home ownership products to help people who are unable to afford full home ownership. Initiatives introduced since 1997 include the Starter Home Initiative, Conventional Shared ownership, DIY Shared Ownership, HomeBuy, Key Worker Living Shared ownership, Social HomeBuy, New Build HomeBuy, Open Market HomeBuy, the First Time Buyers Initiative, Rent to HomeBuy, HomeBuy Direct. Some commentators argue that the number and the frequent product changes have defeated their objective by confusing potential participants.

Shared ownership now makes up some 2.5% of social landlords' stock. That proportion is growing as housing associations new developments include significant numbers of new shared ownership homes, with the proceeds from their sale often used to subsidise the costs of new social rent homes. 42% of the homes funded by the Housing Corporation in 2007/8 were for low cost home ownership.³³ The Department for Communities and Local Government estimated in 2006 that some 150,000 households renting privately and 118,000 households renting from social landlords who cannot afford full home ownership could afford to buy with a 25% equity loan, and each year a further 15,000 new households enter this category.³⁴ Ministers said in 2006 that they believed that by the end of 2010 more than 160,000 households would be helped to get a foot on the housing ladder using shared equity products.³⁵

Most low cost home purchasers are first time buyers. It has been argued that they are likely to have stretched their finances even more than other first time buyers, and therefore to be at greater risk of getting into financial difficulties.³⁶ However, the most recent data available shows that this is not the case. This is perhaps because of the careful checks made by housing associations before they sell shared ownership homes; the possibility of downward staircasing; and the fact that rental payments are normally fixed as a percentage of the equity retained by the housing association and therefore shared owners' exposure to interest increases is more limited. The 2006 London Home Ownership Group survey of housing associations that provide low cost home-ownership schemes in London



33 Housing Corporation *Annual Report and Accounts 2007/8*, July 2008

34 DCLG *Who are LCHO purchasers and what is the demand for LCHO*, December 2006

35 Yvette Cooper (Housing Minister) and John Healey (Financial Secretary) in the foreword to *The Report of the Shared Equity Task Force*, HM Treasury and DCLG, December 2006

36 G Bramley et al, *Evaluation of the Low Cost Home Ownership Programme*, ODPM September 2002

found that rent arrears and repossessions as a percentage of stock had both fallen slightly compared with 2005, with only 0.12 % of stock repossessed in 2006.³⁷ This is significantly below the figure of 0.18% for all mortgaged properties.³⁸

1.8 The role of private rental

As section 1.2 shows, the role of the private rented sector has undergone dramatic changes over the last 100 years. Today it provides homes for:

- students and recently qualified people, particularly in high cost areas, until they can afford homeownership;
- people who have to move around because of their work or whose needs change frequently;
- people from abroad working in the UK for a limited period;
- newly independent households, such as young people leaving home or following relationship breakdown;
- older people who move out of owner occupation in order to release equity for themselves or their children;
- people who are unable to access owner occupied or social rented housing;
- homeless people waiting for social rented housing, particularly in London, as temporary accommodation, often for years;
- people choosing to move out of stigmatised social housing, or excluded from social housing because of anti-social behaviour; and
- work-related accommodation for example for agricultural workers.

The most common private renters are young people: nearly 50% of heads of privately renting households are in the 16–34 age range, and in London the figure is 56%.³⁹

Private renting households are particularly mobile. 39% of such households have lived in their current home for less than a year,⁴⁰ and whilst the sector only houses 12% of households it accounts for over 45% of all household moves.⁴¹ This is largely a reflection of choices made by students and newly qualified people rather than landlords terminating assured shorthold tenancies.⁴²

Partly as a result of the growth in buy-to-let, private sector rents have increased much more slowly than house prices in recent years. Between 1996 and 2006, average private sector rents increased by some 50%, only slightly more than average earnings.⁴³

37 Unpublished data from the London Home Ownership Group Benchmarking 2006 survey

38 Council of Mortgage Lenders statistics on mortgage possessions

39 DCLG, *Housing in England 2006/7*, page 18

40 DCLG, *Housing in England 2006/7*, page 125

41 DCLG Housing statistics live table 812

42 DCLG, *English House Condition Survey 2006, Private Landlords Survey*, April 2008

43 DCLG Housing statistics live table 734

Most of the recent buy-to-let housing is good quality, and landlords make efforts to keep it maintained. However, the 2006 English House Condition Survey found that nearly 50% of private rented homes did not meet the decent homes standards in the Housing Health and Safety Rating System, compared with 38% of council homes and 29% of housing association homes.⁴⁴ Only 18% of private individual landlords have a relevant professional qualification, and only 17% are members of a relevant professional or trade organisation. Some of the unqualified landlords will use letting agents, but some 30% of these are also not members of relevant professional or trade organisations.⁴⁵

And yet not being professional does not necessarily lead to tenant dissatisfaction. Figure 1.7 shows private sector tenant satisfaction is high. In 2006 only 11% of private tenants were dissatisfied with their landlord, compared with 19% of social tenants.



The Government announced a review of the private rented sector in January 2008, aimed at establishing what could be done to improve the sector for both landlords and tenants.⁴⁶ The review's report was published in October 2008, and its main recommendations are set out in the box below.⁴⁷ The Government welcomed the report, and said that it would carefully consider the findings before setting out the next steps.⁴⁸

44 DCLG *English House Condition Survey 2006 Headline Report*, January 2008

45 DCLG *English House Condition Survey 2006 Private Landlords Survey*, April 2008

46 Yvette Cooper, Minister for Housing and Planning, DCLG press release, January 2008

47 Julie Rugg and David Rhodes, Centre for Housing Policy, University of York, *The Private Rented Sector: its contribution and potential*, October 2008

48 Margaret Beckett, Housing Minister, DCLG press release, 23 October 2008

Rugg Review recommendations

The independent review into the Private Rented Sector (PRS), headed by Julie Rugg of the University of York, recommends a new drive to improve the quality of the sector through:

- introducing a light touch licensing system for landlords and mandatory regulation for letting agencies, to increase protection for both vulnerable tenants and good landlords
- introducing a new independent complaints and redress procedure for consumers, to help end long drawn out disputes
- tax changes to encourage good landlords to grow, including changes to stamp duty to encourage them to buy more properties
- looking at ways for the PRS to be more accommodating towards households on lower incomes, including considering more support for landlords prepared to house more vulnerable people
- local authorities taking steps to better understand the sector and support good landlords whilst tackling poorly performing landlords and promoting tenants’ rights.

1.9 Proposals for a more dynamic housing supply

The shortfall in the number of new homes compared to the projected growth in numbers of households calls for a radical re-think of our attitude to housing supply.

More homes certainly need to be built, however we must be prepared to be more efficient with our use of existing homes and empty properties. If the needs of Britain’s communities are to be met, we must moreover think in terms of localised provision and inaugurate a localised revolution in housing supply.



1.9.1 A LOCALISED REVOLUTION IN HOUSING SUPPLY

The Government has responded by setting ambitious national targets; 240,000 new homes per year by 2016; two million new homes by 2016 and three million by 2020. It expects revised regional spatial strategies to reflect these targets. Measures to deliver these targets were set out in the July 2007 Housing Green Paper and its July 2008 update.⁴⁹ These include rewards to local authorities that identify at least five years’ worth of housing sites ready for development in their local development frameworks. The Government’s National Housing and Planning Advice Unit has recently suggested that, given the latest population projections, to ease affordability pressures some 300,000 net additions per year could be needed by 2016.⁵⁰ But many commentators believe that the current national targets will not be delivered.

49 DCLG *Homes for the Future: more affordable, more sustainable*, July 2007 and *Facing the Housing Challenge: Action today, innovation for tomorrow*, July 2008
 50 NHPAU, *Affordability still matters*, July 2008

It is not enough for the Government to announce broad-brush schemes and redevelopment packages. Neither, however, must Government wash its hands of the responsibility to house the most vulnerable members of society. Government must be prepared to devolve sensibly. It must use the advantages of central planning, while allowing delivery to happen where it happens best: at the local level.

Government imposition of house-building targets on authorities and their communities feeds hostility towards new housing provision. In many areas, local authorities will want to insist that a proportion of homes are built which can be bought or rented by local people on lower incomes. It should be left to them to determine the appropriate local policy on this.

Policy 1.1

Our proposals delineating the relationship between communities and local development are outlined in Chapter 3. In order to deliver these there needs to be:

- much greater local flexibility in the development system
- significant moves to give local communities greater control over the number and type of new homes to be built in their areas.

Land represents a major part of the cost of new housing as the amount of land available for housing development is severely constrained. The public sector still owns large amounts of land which are surplus to its requirements and could be developed for housing. For example the latest Government figures show that over a quarter of previously developed land suitable for housing is owned by public sector bodies, 40% of it by local authorities.⁵¹ And English Partnerships has some 750 sites covering some 7,500 hectares on its register of surplus public sector land.⁵² We must find new ways to make this land available, as required, for development.

1.2 We must secure the quick release of surplus public sector land for new housing development, and to speed up the planning permission process.

1.3 Government must work with local communities to help them create a greater quantity of housing, especially for first time buyers and people on low incomes.

51 DCLG, *Previously-developed land that may be available for development: England 2007 – Results from the National Land Use Database of Previously-Developed Land*, August 2008, pages 25-26

52 English Partnerships, Register of Surplus Public Sector Land, September 2008

Community Infrastructure Levy (CIL)

- The Government is seeking to introduce CIL in the Planning Bill 2007–8.
- Under the Bill local authorities will be empowered to levy community infrastructure charges on most types of new development in their area.
- The proceeds of CIL will be spent on local and sub-regional infrastructure to support the development of the area.
- The details of CIL levy will be laid down in regulations once the Bill is enacted.
- Infrastructure that CIL could help fund includes transport, schools, health centres, flood defences, play areas, and parks and other green spaces.
- Affordable housing provision will continue to be provided through the existing planning gain system, rather than through use of CIL.
- The Government is considering whether to restrict the use of planning gain for other purposes once CIL is introduced.
- The Government intends that CIL's introduction should not result in a reduction in the level of affordable housing contributions secured from developers. It is taking powers to extend CIL to cover affordable housing in case CIL has an adverse impact on this.

New developments must be effectively integrated with existing communities and have all the necessary infrastructure – transport, schools, healthcare etc. This requires investments by a range of public bodies, and it is often funded by developers as part of the planning system.

The introduction of the *Community Infrastructure Levy* has been, on the whole, welcomed by developers.⁵³ They have, however, expressed concerns that uncertainties on the details of the levy and associated changes to planning gain could lead to delays in housing provision.⁵⁴ Housing groups are concerned that it could lead to a reduction in affordable housing provision.⁵⁵ There is a balance to be struck between making sure that enough development takes place and making sure an area is developed in the *right* way.

1.4 We must ensure, in so far as it is possible, that the Community Infrastructure Levy does not harm housing supply. Public investments needed alongside major housing developments must be secured in a timely fashion, and the system for securing other developer contributions towards the cost of public investments must be clear and reflect local conditions.

The Government said in the 2007 Housing Green Paper that it hopes to achieve 50,000 new social homes a year in the next spending review. We

53 DCLG *The Community Infrastructure Levy*, August 2008

54 Housebuilders Federation and British Property Federation evidence to the Planning Bill Committee, Commons Committee Hansard, 8 January 2008

55 Report of Shelter/National Housing Federation concerns in *Inside Housing*, 8 October 2008

welcome the increase in resources for housing that the Government provided in the last comprehensive spending review. However, the lesson of this chapter is that decisions on development, infrastructure building and the state of the housing market – how those resources are fundamentally used – must be taken locally. Councils must be free to decide how those resources are deployed in their areas, balancing the needs to improve existing council homes, build new ones, and work with the private and not for profit sectors to provide a range of lower cost housing options for local residents. Among the factors that councils will want to take into account in deciding the balance they strike is the benefits of securing higher levels of investment by using public expenditure to lever private investment.

As we will show in the next chapter, we do not believe that the Government should set national targets for the number of social homes to be built, nor for the proportion of these which should be for social rent or low cost home ownership.

“There is a balance to be struck between making sure that enough development takes place and making sure an area is developed in the *right way*.”

1.9.2 RE-OPENING THE MORTGAGE MARKET AND MORTGAGE RESCUE

The recent fall in house prices certainly makes houses more affordable. However, there are also serious financial downsides to the credit crunch. More needs to be done to reopen the mortgage market and to help borrowers who get into difficulty.

In a recent report, the *Financial Services Authority* said that, while mainstream lenders were generally treating their customers fairly, lenders in general should offer more options to resolve arrears positions. Some specialist lenders, indeed, were too ready to take court action.⁵⁶ The *Council of Mortgage Lenders* (CML) reported recently that, at the end of June 2008, the number of mortgages over three months in arrears had risen by 20% in six months. There had been a 48% increase in the number of properties taken into possession in the first half of 2008 compared with the same period in 2007.⁵⁷ The *Civil Justice Council* recently announced a new pre-action protocol for mortgage possession cases that seeks to ensure that repossession claims are seen as a last resort and recommends that borrowers and lenders should take all reasonable steps to discuss with each other the cause of the arrears, and proposals for their repayment.⁵⁸



56 Financial Services Authority press release, 5 August 2008

57 Council of Mortgage Lenders press release, 8 August 2008

58 Civil Justice Council press notice, 22 October 2008

1.5 The courts and the Financial Services Authority must ensure that all lenders whose loans are secured against peoples' homes take all possible steps to help borrowers who get into difficulties before they seek possession of their homes. These steps should include:

- providing access to impartial advice on the options open to home owners who are finding mortgage repayments unaffordable, and
- allowing borrowers to negotiate new loan agreements.

The Government announced a £200m mortgage rescue scheme in September 2008, to be introduced by the end of 2008.⁵⁹ It estimates that the scheme will deliver up to 6,000 mortgage rescues over two years. Selected borrowers in financial difficulties, who would qualify as homeless, would be able either to

switch to a shared equity or shared ownership package, with a housing association providing an equity loan or buying a stake in the property, or to sell their home to a housing association and rent it back at a level they can afford.

Concerns have been raised about the time it is taking to introduce the scheme, and it has also been criticised as insufficient to meet likely needs – the CML forecast that some 170,000 mortgages will be over three months in arrears by the end of 2008, and that some 45,000 homes will be taken into possession in 2008. The scheme will be accompanied by changes to the rules governing income

support for mortgage interest – shortening the qualifying period from 39 weeks to 13 weeks, and increasing the size of loan qualifying for support from £100,000 to £175,000 – although these changes will only take effect in January 2009.

It is one thing announcing a package; it is quite another to ensure that it brings speedy help to those for whom it is designed.



1.6 We support the introduction of mortgage rescue schemes as quickly as possible. These schemes have cost implications for housing associations, for which they would need Government support. These costs need to be regulated; they will undoubtedly be mitigated by savings made in new housing benefit claims by evicted households, and savings made in not having to provide these households with social housing.

In the absence of Government led mortgage rescue schemes there has been a growth in private *sale and rent back* schemes under which firms buy peoples'

59 DCLG press release *Ensuring a fair housing market for all*, 2 September 2008

homes at a discount and then allow the people to stay on as tenants. In its recent report on the sector the *Office of Fair Trading* estimated that there were upwards of 1,000 such firms, which had so bought about 50,000 homes. The people concerned often find that their tenancy is only guaranteed for six or twelve months, and significant numbers subsequently lose their homes. The OFT recommended that these firms should be regulated by the *Financial Services Authority*, to ensure people considering them receive adequate information about the risks involved and are allowed time to secure independent advice, and possibly to set minimum standards for sale and rent back products. In advance of the introduction of regulation, the OFT called for the encouragement of self-regulation, and for the Government to take other action to raise consumer awareness of the risks involved, including housing benefit eligibility in these cases.⁶⁰ The Government has said that it accepts these recommendations, and will be consulting on how best to implement them.⁶¹

“CML forecast that 170,000 mortgages will be over 3 months in arrears by the end of 2008, and that 45,000 homes will be taken into possession in 2008.”

1.7 We support the *Office of Fair Trading's* recommendations on the regulation of sale and rent back schemes, and urge the Government to implement them without delay.

Following the credit crunch the level of mortgage lending has declined dramatically. Gross lending in September 2008 was 42% lower than a year earlier, and the lowest September figure since 2001. The Government's response to the credit crunch is aimed, *inter alia*, at improving the availability of mortgages for all credit-worthy borrowers. Sir James Crosby's interim report on the mortgage finance markets identified some options for further measures,⁶² but left specific recommendations to his final report, which he was aiming to provide in the autumn. This work is, to a large extent, overtaken by the Government's October credit crunch package, although it remains possible that the Chancellor will announce further measures in the pre-budget report.

1.8 The Government should monitor closely the impact of its credit crunch package on the availability of mortgage finance, and continue to consider whether further measures are required. These may need to include further measures to regulate lending practices, to avoid over-borrowing and over-lending which could create a new house price bubble.

60 Office of Fair Trading, *Sale and rent back: An OFT market study*, October 2008

61 Hansard Written Ministerial Statements, Treasury, *Support for Vulnerable Homeowners*, 22 October 2008

62 HM Treasury, *Mortgage finance: interim analysis*, July 2008.

We do not support the New Local Government Network’s proposal that local authorities should re-enter the mortgage lending market.⁶³ If would-be borrowers are unable to secure mortgages from the market, we do not believe that risks that the private sector is unwilling to take on should be shouldered by council tax payers.

Many would-be first time buyers whose families are unable to help face increasing difficulties in putting together the finance needed for a deposit. The recently introduced Rent to HomeBuy scheme will provide help with this in the areas where it is piloted. Under this scheme first time buyers with annual incomes of £60,000 or less will be able to rent newly built homes at 80% of the normal market rent for two to three years, during which time they can build up a deposit sufficient for them to buy the home either outright or on shared ownership terms. Some housing associations also run savings schemes with bonuses aimed at helping their tenants save for deposits.

1.9 The Government should ensure that the Rent to HomeBuy pilots are launched as soon as possible, and consider other ways in which would-be first time buyers might be helped to build up the deposits they need.

1.9.3 INCREASING SHARED OWNERSHIP

As noted earlier, the Government has taken a number of initiatives to encourage shared ownership for people who cannot afford full home ownership. The Government set a target of at least 25,000 new shared ownership and shared equity homes a year in the 2007 Housing Green Paper, to be funded mostly by the Housing Corporation and its successor the Homes and Communities Agency. 42% of the homes funded by the Corporation in 2007/8 were for low cost home ownership.

There have been reports that that the credit crunch is making it much more difficult for housing associations to sell shared ownership homes – the Housing Corporation reported in August 2008 that there had been a national slowdown in such sales,⁶⁴ and there were suggestions in October 2008 that the value of unsold shared ownership homes sitting empty had risen by 15% in the previous six months, and could be as high as £1billion.⁶⁵ The main problem experienced by lower income households is the difficulty in finding a suitable mortgage, and this has clearly been exacerbated by the credit crunch. Our recommendations above should help with this.

63 NLGN report *Good House keeping? Stronger communities through local housing intervention*, June 2008
 64 Housing Corporation *Affordable homes developers report*, August 2008
 65 Joey Gardiner report in *Building*, 10 October 2008

In July 2007 the Government commissioned a review into the future of the private sector shared equity market led by Bryan Pomeroy. His main conclusions were that whilst there had been significant private sector interest in developing shared equity schemes, they had been put on hold by the credit crisis. With the continued demand for such products however it is likely that interest could be renewed once market conditions improved, although concerns about the level of investors' exposure to house price risk remained.⁶⁶

1.10 Continued Government support for low cost home ownership (LCHO) is essential. This requires:

- further exploration of ways of securing private sector investment in shared equity
- better information to help potential purchasers understand what is available, and to encourage financial institutions to provide more suitable mortgage products.

To avoid repossessions wherever possible we recommend that all LCHO providers should include provision for purchasers to reduce their equity stake in appropriate circumstances.

1.9.4 IMPROVING THE SUPPLY OF PRIVATE RENTED HOMES

The housing needs of some people can only be met by charitable and local authority landlords. However many can be met equally well, if not better, by private landlords.

As section 1.8 shows, most of the expansion of the private rented sector in recent years has come from provision by amateur, buy-to-let landlords. While this has made a very useful contribution there are doubts about its long-term sustainability, particularly given current market conditions. Institutional investment is needed to secure its continued growth. The tax changes recommended in the report of the Rugg review of the private rented sector should help secure this.

1.11 We need to professionalise the private rented sector and make it a credible choice for investors. We recommend that professional, long term landlords (institutional rather than individual investors) should be given greater encouragement by the Government. Tax breaks or other forms of support should be considered in order to increase the market share of this sector. Housing associations, private companies, charitable trusts, pension funds, and building societies are all potential partners in expanding this product.

66 DCLG *The Pomeroy Review of Prospects for Private Sector Shared Equity: Summary of Conclusions*, July 2008

The Government has introduced reforms that give councils more powers to act against the minority of landlords whose tenants suffer poor housing conditions and bad management. More action is needed to help tenants identify good landlords, for example through the encouragement of voluntary accreditation, although it is essential that any system that is introduced involves the minimum amount of bureaucracy, to avoid discouraging the sector's continued growth. This could build on the Law Commission's recent proposals which are designed to promote self-regulation and enhance voluntary initiatives already in place. These include making landlord accreditation schemes available in every local authority area; creating a housing standards monitor for the sector—possibly the new Tenants Services Authority in England; developing single codes of practice for landlords and for letting agents; and piloting of a scheme for home condition certification.

1.12 More needs to be done to enable tenants to identify good landlords, for example through the encouragement of voluntary accreditation schemes, ensuring that any system that is introduced does not endanger the continued expansion of the sector.

1.9.5 BRINGING EMPTY HOMES BACK INTO USE

Part of the response to the housing shortage must be further action to bring empty homes back into use as quickly as possible. The most recent returns from local authorities showed that there were over 762,000 empty homes in England in October 2007, up from 748,000 a year earlier.⁶⁷ Many of these have been empty for over six months. The figure has almost certainly increased since then, as the credit crunch has made it more difficult for house builders to sell new properties.

Many empty homes could be brought back into use with the right mix of carrots and sticks:

- empty homes where redevelopment is planned could be brought into use under short-life housing or property guardian schemes until the redevelopment starts
- councils can give grants or interest-free loans to owners of homes which need improving before they can be brought back into use
- councils can target empty homes which are spoiling a neighbourhood and do whatever work is needed, charging this against the property and where necessary then enforce a sale to recover their costs.

⁶⁷ Iain Wright MP, Parliamentary Under-Secretary, DCLG parliamentary answer, 1 July 2008, House of Commons Hansard col 791W

If owners are just sitting on empty homes councils can use Compulsory Purchase Orders or Empty Dwelling Management Orders to get them back into use.

Example of good practice

The Kent 'No Use Empty Initiative' provides a good example of successful council action on empty homes (see box).⁶⁸ Boris Johnson, the Mayor of London, has allocated £60 million for London boroughs and housing associations to tackle the problem of empty homes in London, with an audit of abandoned homes as the first step to regeneration and the targeting of long term empty homes.⁶⁹

Kent No Use Empty Initiative

The initiative was originally launched in East Kent in April 2005. Following its successes in East Kent it was expanded in 2008 to cover the whole County.

It is a partnership between Kent County Council and the district councils that brings together the powers and expertise of housing, building control, environmental health, council tax and legal service officers.

The initiative provides training, support and guidance to empty property officers, backed by a £5 million fund providing subsidised loans to owners willing to renovate empty homes for sale or rent, and funding necessary works on homes where owners fail to act, recovering these through charges on the properties.

Owners of empty homes are offered free advice on the options available to them and guidance on issues such as renovation, letting and grant funding. Where appropriate interest free loans are provided.

Where support and guidance prove ineffective enforcement action is taken, using the threat of empty dwelling management orders, compulsory purchase orders or enforced sales.

In addition to increasing the availability of affordable housing the initiative supports the regeneration of communities by removing eyesores which devalue neighbouring properties and attract anti-social behaviour, vandalism, graffiti and fly tipping.

In its first three years nearly 500 empty homes were brought back into use.

1.13 We recommend that:

- all local authorities strengthen their efforts to bring empty homes back into use, building on examples such as the Kent and London initiatives
- the Government reduces the rate of VAT on home renovations and repairs as far as possible, to remove the imbalance between the treatment of this and new house building, and the disincentive to renovation of empty homes.

68 Details from No Use Empty – The Kent Empty Property Initiative website
69 Greater London Authority press release 8 July 2008

1.9.6 OVERCROWDING AND SOCIAL BREAKDOWN

One of the major housing challenges is the levels of overcrowding caused by a lack of family-size affordable homes. In 2006 some 235,000 families living in social housing (6% of the total) had fewer bedrooms than the bedroom standard (see box for details), and of these 15,000 had two or more fewer. Overcrowding is also a problem in the private rented sector, where 107,000 families (4% of the total) were below the bedroom standard.⁷⁰ Overcrowding is particularly acute in London – nearly 40% of households below the bedroom standard in 2006 lived in London, representing 6% of all London households.⁷¹

The Bedroom Standard

Under the bedroom standard a notional number of bedrooms is allocated to each household in accordance with its composition by age, sex and marital status and relationships of family members. A separate bedroom is allocated to each:

- married or cohabiting couple
- adult aged 21 years or more
- pair of adolescents aged 10-20 years of the same sex
- pair of children under 10 years regardless of sex.

Any unpaired person aged 10-20 years is paired if possible with a child aged under 10 years of the same sex or, if that is not possible, given a separate bedroom. The same applies to any unpaired child under 10 years.

This standard is then compared with the number of bedrooms available for the sole use of the household. Bedrooms converted to other uses are not included; bedrooms not in use are included unless they are uninhabitable.

However, there is no shortage of affordable family homes in the country as a whole. In 2006 the Survey of English housing found that 445,000 households in social rented homes were two or more bedrooms above the bedroom standard – nearly twice the number of overcrowded families. A further 1.4 million had one bedroom more than the standard. There was significant regional variation in these numbers – in the south of England (London, South-East and Eastern regions) 10% of social rented households were two or more bedrooms above the bedroom standard, compared with 7.4% overcrowded. In London there were slightly fewer social rented households with two or more bedrooms above the standard than overcrowded households, but three times as many with one bedroom more than the standard.

70 DCLG Survey of English Housing table S127

71 DCLG Survey of English Housing table S140

Many of these households will want to retain a spare bedroom so that they can put up visitors or use it for other purposes, and they should be free to do so. However past rent control systems mean that there is relatively little rent differentiation between different sized homes. There is a case for charging a higher rent for households with larger homes, to create an incentive to down-size.

It is also clear that a significant number of older households would welcome the chance of moving to smaller, more suitable accommodation, for example closer to their grown up children or outside inner London or the other major cities where overcrowding is most acute. Some local authorities have developed schemes to identify such households and help them do this, ranging from cash incentives to help with moving – organising packing and removal services, providing new carpets or curtains where they are needed, meeting the costs of redecoration and so on. But particularly in high demand areas like London their ability to do so is constrained by the centrally set allocation and homelessness rules and resultant lack of mobility described in Chapter 2. As we say there, these rules need to be changed to give much greater local flexibility.

Freeing up family homes in this way would help tackle over-crowding problems and contribute positively to the family environment of many of the most poor.



1.14 We recommend the building of more family-sized homes:

- family homes must make up a greater proportion of the new affordable housing that is built
- councils must ensure that this need is reflected in their plans and the development projects and programmes they support, rather than central Government's national targets
- councils should give greater emphasis to the role that tackling under-occupation can play in reducing overcrowding in social housing in their areas
- the Government should fund further demonstration projects to help authorities develop effective policies and programmes in this area. For instance charging a higher rent for households with larger homes, to create an incentive to down-size
- councils and housing associations should also be free to sell off a number of bed-sit or one bedroom homes and reinvest the proceeds in larger homes
- consideration should be given to letting larger homes for shorter terms, so that a new family can benefit once the children leave home.

Attempts at *place-building* and *community-shaping* will come to nought if provision for families remains at the bottom of the Government's policy framework. We must be prepared to accept that the failure of many estates to enshrine family-friendly housing has perpetuated and reinforced social breakdown within those estates. This is a failure of supply, certainly. Its consequence, moreover is community failure. Unfortunately, this is the story of so many of our social housing estates. It is to this story that we now turn.

CHAPTER TWO

Ending the Sorting Effect

2.1 Homes for the neediest

In the 1950s and 1960s, council housing was the tenure of choice for families who could not afford their own home. As many of those families became richer, they chose to buy their own homes, helped in the 1980s by the Conservative Government's introduction of the *right-to-buy*.

The collateral effect of this, coupled with major reductions in the number of new social homes built, was to reduce the available social housing stock. Centrally imposed allocation rules based on need meant that scarce social housing was increasingly allocated to the neediest families.

This means that social housing's role today differs hugely from the role envisaged when most of it was built. Today, social housing is the *residual* housing mode. As the years have passed, progressively larger and larger numbers of poor, often vulnerable and rarely employed people are concentrated together on social housing estates. Overall poverty levels in these areas have, over time, increased.

There has followed a vicious cycle of degeneration, with social housing populated by ever more needy and dispirited individuals. It is no exaggeration to say that this situation presents one of the most critical social justice issues of the day.

This chapter analyses the principles and pragmatics of our social housing policy. We propose radical reform. We propose a new, more creative policy framework for social housing and an overhaul of the systems of allocation and social tenure. Many of these proposals present a change of approach to housing policy. However, if we are to not give up on these estates completely; if we are to not accept the presence of 'no-go areas' or ghettos in Britain; if we are to reforge the links between our society for the better – this new approach is necessary and urgent.

“As a society we must radically revise our expectations of what social housing can achieve.”

Iain Duncan Smith, Speech to Chartered Institute of Housing Conference, June 2008

2.2 What is the purpose of social housing?

The current Labour Government's housing policy aim – *a decent home at a price people can afford* – is incontestably benign. More contentious is the

means to achieving that aim. When it comes to those who cannot afford home ownership or the rents that private landlords charge, the State has a choice. It can give them the money they need to secure satisfactory housing, either as housing benefit tied to the rent they have to pay, or as cash leaving them free to decide how much they should devote to their housing needs. Or it can provide the housing itself, subsidising the cost of construction so that the rent is affordable.

As the previous chapter showed, for most of the last century governments chose state provision, subsidising buildings rather than people. The



emphasis was on improving post-war housing conditions. The capital cost of these homes was subsidised to keep the rents relatively low. Tenants were expected to pay the rent themselves. Means-tested rent rebates and then housing benefit were only introduced nationally relatively recently.

Housing subsidies have been radically re-directed over the past 30 years. In 1975 over 80% of subsidies were for bricks and mortar subsidies. Today over 85% of housing subsidies go to tenants, mainly in the form of housing benefit paid to low income households to enable them to

afford to pay their rents.

The reforms we propose in this chapter and the rest of this report need to reflect a shared view of what social housing's role should be in the 21st Century. In our view, social housing should be for:

- a) Those already in social housing, for it would be unjust and destructive to take it away from settled tenants.
- b) Those who are unable to maintain a tenancy or mortgage: housing with care should be supplied or organised by the local authority.
- c) Those who face an immediate crisis should be offered housing until their crisis is resolved and they are well on the pathway to independence. This group may include families who have been evicted due to their (or their children's) anti-social behaviour, where a family intervention team would work with them to help reform behavioural difficulties, as recommended in the report of the CSJ's Early Years Commission.⁷²
- d) Low-income working families, for whom this is the cheapest way to subsidise them. However, it would be expected that the rents charged would need to increase in order to cover the costs of the housing provided.

72 Centre for Social Justice *Breakthrough Britain: The Next Generation*, September 2008

- e) Retired people and those who are unlikely ever to work, such as severely disabled people, and are reliant of state benefits. As these groups generally need safe and long term housing, and often care as well, it makes sense to allocate social housing to these groups.

Housing policy's strong emphasis on buildings needs to be tempered by a greater emphasis on the people in them. Housing managers and other public service providers need to focus on the underlying problems of poverty that dominate many housing estates. With the right support and help, many of the young and not so young people moving into social housing can be helped to build successful lives. *The time is right to reposition social housing as a support mechanism, rather than a terminal destination.*

2.3 Who lives in social housing today?

2.3.1 ALLOCATION SYSTEMS

Most early tenants of council housing moved from the private rented sector, either by choice or because of slum clearance. Until 1949 council housing was specifically aimed at the so-called *working classes*.⁷³ From 1949 authorities were required to allocate council housing according to need⁷⁴, but within this general duty local authorities were free to set their own allocation policies. Since 1977 central government has increasingly controlled allocation policies, first by introducing a duty to house vulnerable homeless households,⁷⁵ and later by setting detailed rules for the determination of housing need.⁷⁶

In the early years of council housing, authorities tended to give priority to those they thought would be good tenants. Consequently, most tenants were employed working class households with a good record of rent payment.

Council housing was the tenure of choice for families who could not afford owner occupation, as it provided better quality housing than that available in the private rented sector. In many authorities allocations were made by councillors, and decisions on who got the available homes were highly personalised.⁷⁷ Council house rents were often higher than private sector rents and there were few rent rebate schemes. Slum clearance programmes meant that council housing was increasingly used to



Residents and community organisers, Monks Hill Housing Estate

73 Housing of the Working Classes Act 1909, Housing and Town Planning Act 1919

74 National Assistance Act 1948

75 Housing (Homeless Persons) Act 1977

76 Housing Act 1996, Homelessness Act 2002

77 Feinstein et al, Institute of Education, University of London, *The Public Value of Social Housing: a Longitudinal Analysis of the Relationship between Housing and Life Chances*, 2008, page 19

re-house displaced families who had been renting privately, but authorities continued to try to allocate it mainly to working families.⁷⁸

Following the Government's introduction of rules for the allocation of council housing it has increasingly been used to house the most vulnerable households. Under these rules authorities have to give reasonable preference to those most in need, namely:

- homeless people;
- people living in unsatisfactory housing;
- people needing to move for medical or welfare reasons;
- people needing to move to a particular locality;
- people needing to move because of violence or threats.

Most local authorities run points-based or banding systems that prioritise the neediest households, although within these councils often give preference to people who have lived in the area for longer. This system of prioritisation remains under the choice based lettings systems that councils now operate. In theory housing associations have greater freedom to determine their own allocation policies, but in practice authorities are able to nominate tenants for most new housing association lettings, using the same points based prioritisation systems as council housing.

These rules have led to radical changes over the last 25 years in the composition of those living in social housing. As economic prosperity has increased, and encouraged by the right-to-buy, many of the working households who would previously have lived in council houses have chosen to become owner occupiers. Moreover, changes in the allocation systems have resulted in new lettings going increasingly to the most disadvantaged households, who are least likely to manage to improve their livelihoods, to move forward to the point where they might be able to afford to buy.

“Concentrations [of poverty in social housing] can be made worse where housing allocation prioritises vulnerable groups for housing vacancies, for example through the points system. This allocates points to applicants according to their perceived ‘need’. Factors include pregnancy, ill health, low income and overcrowding... The allocation system fails to take into account the existing mix of tenants in those areas. Unless the sorting effect of social housing is addressed, concentrations of deprivation in some areas are unlikely to be reduced.”

Prime Minister's Strategy Unit report: *Improving the prospects of people living in areas of multiple deprivation in England*, January 2005

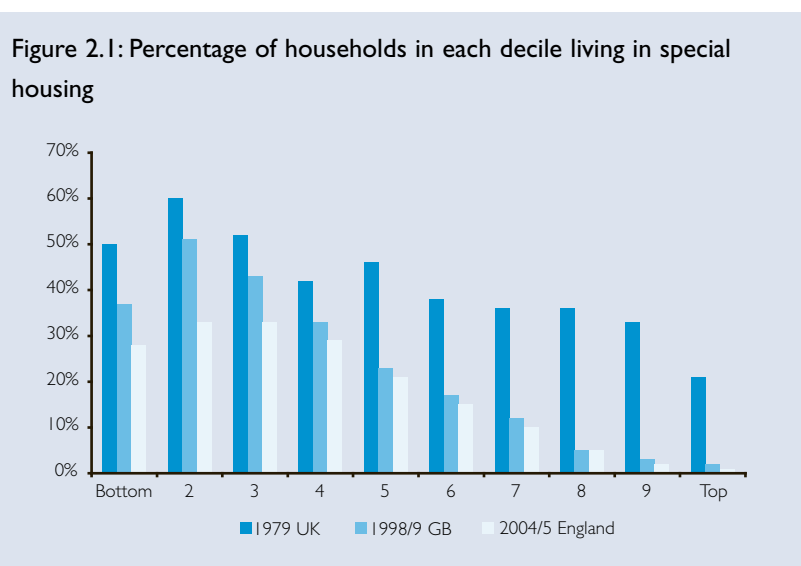
78 Ibid, page 20

“What we do is we allocate properties on the basis of how you present yourself to a local council, so if you walk in and say ‘I’m homeless’ you get a greater priority than if you walk in and say ‘I’ve managed to do something for myself but I’m still looking for a council property’. And so the whole way we allocate is unfair, it doesn’t necessarily enable us to support aspiration.”

Sir Robin Wales, Mayor of Newham, interview on File On 4 programme on social housing, BBC Radio 4, 17 July 2007

2.3.2 INCOME LEVELS

As recently as the early 1980s the average household income of council tenants was 73% of the national average. Since then the proportion of social tenants on low incomes has increased substantially, as the chart below shows.



Thus in 1979, over 20% of the richest 10% of households and 33% of the second richest decile lived in social housing. Today virtually none of the richest 20% of households in England do so. Over two thirds of social tenants now have incomes in the bottom 40%, and only 19% are in the top 50%. Nearly half of households in social housing are in low income (below 60% of median income after deducting housing costs), compared with one in seven in other housing tenures.⁷⁹

These income figures are largely driven by the levels of employment of social tenants. Chapter 4 explores this further, and contains proposals for tackling the very low levels of economic activity among working-age social housing tenants.

79 Professor J Hills, *ibid*, pages 87-88

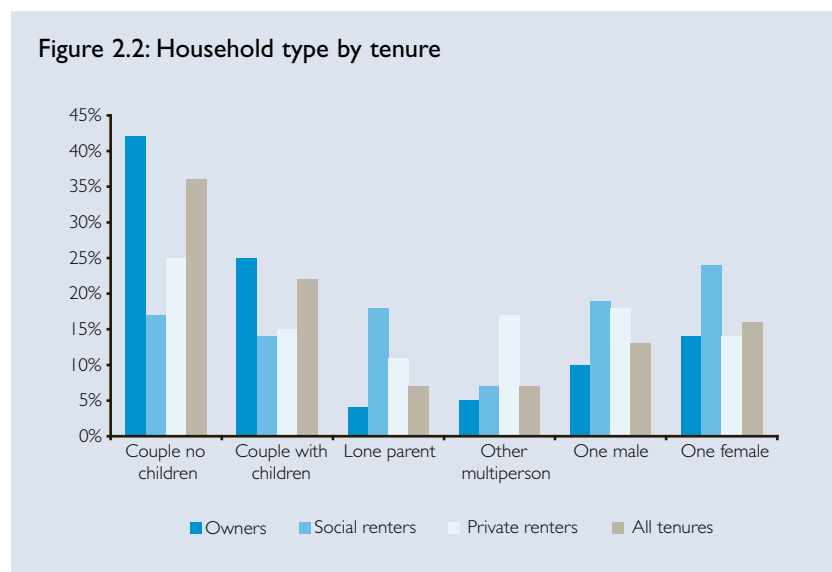
“Social housing policy has been disconnected from our efforts elsewhere to improve people’s life chances. The depressing conclusion is that social housing has become an indicator of risk for adult life chances, above and beyond what might be expected. The situation can be reversed, but this will demand greater recognition that the way social housing has been provided has not supported the very people it was meant to help.”

The public value of social housing: a longitudinal analysis of the relationship between housing and life chances, The Smith Institute, 2008, page 3

Many of these people are poor because of particular circumstances that arise in their lives – mental illness, poor parenting, educational under-achievement, drug or alcohol abuse, criminal behaviour, relationship breakdown and lone parenthood. These need to be treated as circumstances that can be overcome, rather than needs that must be met in perpetuity from state of poverty and dependency.

2.3.3 HOUSEHOLD STRUCTURES

The allocation rules that have applied since 1977 mean that the make up of households in social housing differs markedly from that in other tenures, as shown by figure 2.2.⁸⁰



As the chart shows the social sector now houses over twice the proportion of lone parents than other tenures: 18% of social tenants are lone parents, compared to 7% of all households. Single people also account for a

80 Chart based on Professor J Hills, *ibid*, page 48

disproportionately high proportion of social tenants: 43% compared to 28% of all households. This is partly due to the age profile within the tenures, as discussed below.

43% of lone parent households living in social housing, and 28% of single adults without dependent children, are workless. This compares with 6% of couples without dependent children and 6% of couples with children. In other words, single adult households in the social sector – both with and without children – are much more likely to be workless than couple households.

2.3.4 AGE PROFILE

The age profile of the social housing sector has also changed markedly in the last 25 years. In the 1980s and 1990s 40% of households in social housing were aged 65 or over. During this period, however, 75% of new households entering social housing were headed by someone aged 16–29. And most right to buy purchases were made by households in the 45–64 age range. Older households are now only slightly over-represented in social housing, 21% of over 60s live in social housing, compared with 16% of under-60s. Young people are now also over-represented, because of the priority that allocation points systems give to lone parents and people leaving care.⁸¹

The age distribution in social housing is much the same in all regions except London. Of those who those who head the household in London's social housing sector, only 28% are above pension age, compared with 34% in the West Midlands, 35% in the North West and 38–39% in the rest of the country. 58% are in the 25–54 working age range, compared with less than 50% in all other regions.⁸²

2.3.5 ETHNIC MIX

The proportion of black and other ethnic minority (BME) households who live in social housing is significantly higher than the proportion of white households; 27% of BME households are social tenants, compared with 17% of white households. Some ethnic groups are particularly over-represented in social housing. For example half of all Bangladeshi households and over 40% of all black Caribbean and black African households live in social housing.⁸³

London has a comparatively high proportion of BME social housing households, only 57.3% describe themselves as 'white British', and 32% are non-white, with over 20% black Caribbean or African. This compares with



81 Professor J Hills, *ibid*, pages 48-49

82 S Monk et al, *ibid*, page 27

83 DCLG, *Survey of English Housing: Preliminary Results 2006/7*, page 11

10% for England as a whole, and 4–5% for regions other than London. 63% of Bangladeshi households in London live in social housing, 57% of African households, and 47% of black Caribbean. These proportions are significantly higher than those in most other regions. For example the next highest figures for Bangladeshi households are 36% in the South East and 34% in the East, for African households 51% in the North West and 42% in the West Midlands, and for black Caribbean households 43% in the West Midlands and North West.⁸⁴

2.4 Who gets moved into social housing today?

The doubling of house prices in the last ten years, coupled with changes in the age profile of existing tenants, has greatly reduced the turnover of the

existing social housing stock. In 2006/7 188,000 households moved into social housing,⁸⁵ and in the three years before this the number averaged some 170,000 households⁸⁶. These figures are a significant decrease from the levels in previous years. In 1998 290,000 households moved into social housing.⁸⁷

This reduction has led to a large increase in the number of households on social housing waiting lists. The number was 1.6 million in 2007, and the Local Government Association has predicted that it will reach 2 million, equivalent to 5 million people, in 2010.⁸⁸

In 2004/5 to 2006/7, the latest period for which detailed figures are available,⁸⁹ 42% of the households moving into social housing were one person households, and 22% were lone parents. Households moving into social housing tend to be young: 24% were aged 16–24 and a further 24% 25–34.

The allocation systems that councils are required to operate mean that in high demand areas, which now represent most of the country, only those considered to be in the most extreme need are able to secure social housing. Homelessness is virtually the only route into social housing in London.

These changes in the make up of households securing and living in social housing have major implications for the role of social housing landlords and housing managers. These are discussed in Chapter 6.

“No housing worker wants to see benefit dependency concentrated in social housing but most recognise the solution lies in improving supply and ending allocations policies that exacerbate residualisation.”

Mark Best, housing worker in Otley, Yorkshire, quoted in *Inside Housing*, 29 February 2008

“Homelessness is virtually the only route into social housing in London.”

84 S Monk et al, *ibid*, table 3.6
 85 DCLG, *Survey of English Housing: Preliminary Results 2006/7*, page 7
 86 DCLG, *Housing in England 2005/6*, page 109
 87 Professor J Hills, *ibid*, page 145
 88 Local Government Association, *Councils and the Housing Crisis*, May 2008
 89 DCLG, *Housing in England 2006/7*, page 108

“First, a large proportion of social landlords restrict eligibility for social housing thereby contributing directly to exclusion. Second, mechanisms within allocations systems continue to segregate the most excluded to the worst residential areas. Third, through the 1990s allocation policies became increasingly coercive, so reducing or eliminating tenant choice over their own housing in distinct contrast to the choice that is available in the private market.”

Part of the Problem or Problem or Part of the Solution? Social Housing Allocation Policies and Social Exclusion in Britain, Hal Pawson & Keith Kintrea, *Jnl. Soc. Pol.*, 31, 4, page 643

2.5 How mobile are current social housing households?

In our society today, it is the social housing population that is the most static. More than 80% of people living in social housing in 2006 were within the sector ten years earlier.⁹⁰ This stagnation within the sector has been exacerbated by the doubling of house prices in the last ten years, low new social home building rates and the difficulties of transferring social tenancies across local authority boundaries.

Social housing tenants are much less mobile than private tenants – whilst a third of private sector tenants in 2005/6 had moved within the year, only 5% of social tenants had done so. Very few of the social tenants who move do so for job-related reasons. While 12% of all moves in 2005/6 were for job-related reasons, this figure was only 4% for those who moved into or within the social rented sector.⁹¹

Nationwide, one in eight moves is linked with work. However only a few thousand social tenants each year move home for job-related reasons while remaining as social tenants (even within the same area), out of a total of nearly four million.

2.6 How does living in social housing affect life chances?

The high economic inactivity and low income levels of households living in social housing have already been described. Most social housing is not in mixed-income areas. Two thirds of the current stock is in areas built as local authority estates, and it is now concentrated in the most deprived parts of the country. Almost half is in the 20% of neighbourhoods which have the highest levels of deprivation.⁹²

90 Professor J Hills, *ibid*, page 52

91 Professor J Hills, *ibid*, pages 51 & 109

92 Professor J Hills, *ibid*, page 91

“Social housing has become increasingly associated with poorer life chances for a number of reasons. Firstly it has become the housing tenure of poor households. Secondly, the concentration of poor households in the large mono-tenure estates of the 1960s and 1970s may have inadvertently created conditions likely to foster multiple disadvantage. Thirdly, the process polarisation has a significant spatial dimension. As well as poorer households being increasingly concentrated in social housing, social housing has become more concentrated in deprived areas.”

Jim Bennett, Head of Policy, Housing Corporation, quoted in *New Start*, 2008

Over 20% of social tenants and, over 25% of those living in flatted estates, are dissatisfied with the neighbourhood they live in, compared with 12% of private tenants and 8% of owner occupiers.⁹³ Nearly 25% of social housing is in areas with poor quality environments, and nearly 20% has upkeep problems. Both figures are significantly higher than those for private rented or owner occupied housing. Over 15% of social tenants report that the presence of drug dealers and users is a particular problem, and this figure rises to over 20% for social tenants living in flatted estates. Similarly fear of being burgled and general levels of crime are much higher for people living in social housing than for those in other tenures. Polling carried out on behalf of CSJ by YouGov found that a third of social tenants believe that where they live is not reasonably safe, only 54% trust their neighbours, and only 60% believe that local schools provide a good education.

2.7 Some experiences of failing estates

Large outer city housing estates often become a receptacle for poverty, worklessness and crime. Consider Norris Green, which includes the notorious Boot Estate, on the outskirts of Liverpool, next to Croxteth. Originally developed as a council housing estates, it is now 55% social housing (47% housing association, 8% council), 45% private.

The worklessness rate in November 2006 was over 35%, substantially higher than the Liverpool average (26%). 17% were on incapacity benefit in May 2006, compared with 14% for Liverpool as a whole. 7% were on Job seekers allowance in April 2007, compared with 5.4% for Liverpool as whole. The crime rate is also significantly above the average for Liverpool.

93 Professor J Hills, *ibid*, pages 95-97

The Social rented sector is the dominant tenure in Easterhouse – accounting for 68% of dwellings in 2005. The private rented sector in Easterhouse is very small and comprises about 324 properties – about 2.5% of the total stock. This is under half the Scottish average and well below the Glasgow figure of 10%.

Iain Duncan Smith has written about his experiences visiting Easterhouse in an article for *The Times*,

I met Sandy Weddell, a Baptist minister in Easterhouse, Glasgow, at the end of a slow walk through the area's run-down tenements. The day was bone-chillingly damp and the sky seemed to blend in with the bleak housing. In one of the blocks I peered into a stairwell and saw a child had left its teddy lying on an old pillow. I smiled, then my eyes alighted on some burnt silver foil and a blackened needle and my heart sank.... I just couldn't believe how we had let this level of social breakdown continue...'

“In New Addington your chances of getting a job are less, it's the stigma of the estate over many years...The majority of kids up there think they've got no chance, so they don't bother.”

Housing association tenant in New Addington, Croydon, CSJ focus group, June 2008

“A lot of people are not on benefits but they're not paying tax. They just do a couple of days labouring a week. There's also a whole economy around drugs. So a lot of the kids see drugs is a way of making money – it's quite a convenient business to be in.”

Community worker living in private rented accommodation in Croydon, CSJ focus group, June 2008

“Many areas of social housing are blighted by fractured families, worklessness, educational failure, addictions, serious personal debt, anti-social behaviour and crime.

Too many tenants find themselves on estates where welfare dependency is a way of life, cut off from the job opportunities, social networks and wealth the rest of us enjoy.”

Iain Duncan Smith, speech to Chartered Institute of Housing conference, June 2008

The proportion of social housing tenants who say their health is poor, is far higher than that for the general population in all regions. There are large inter-regional differences, which largely reflect the inter-regional differences for the general population. For example 49% of 45–54 year old and 63% of

“Stigmatising labels can be tenacious and when a negative reputation is established in the wider city and often beyond, it becomes ingrained in external perceptions that further perpetuate the notion of a neighbourhood and its residents as problematic, reinforcing the experience of disadvantage and exclusion.

A weight of academic evidence exists which demonstrates how the stigma attached to neighbourhoods with a poor reputation affects the economic, social and psychological health of residents.”

Glen Gourlay, *‘It’s got a bad name and it sticks...’ Approaching stigma as a distinct focus of neighbourhood regeneration initiatives*, University of Glasgow, 2007

55–64 year old social sector tenants in the North West claim bad health, compared with 24% and 39% of all people in this range in the North West. Levels of poor health are much lower in the South, but London’s figures are comparatively high. 40% of 45–54 year old, and 53% of 55–64 year old, social sector tenants are in poor health, compared with 21% and 33% of the general population.⁹⁴

2.8 Housing subsidies and rent levels

As we noted in Chapter 1, housing subsidies have been radically re-directed over the past 30 years. In 1975 over 80% of subsidies were for bricks and mortar. Today over 85% of housing subsidies go to tenants, mainly in the form of housing benefit paid to low income households to enable them to afford to pay the rents that their landlords charge which, in the case of social housing, successive governments have allowed to rise slowly in real terms.⁹⁵ Subsidies for conventional local authority housing have disappeared overall, although many authorities have to make payments to the Exchequer from their housing revenue accounts. These are largely recycled to authorities facing particularly high housing costs. There is some subsidy for new affordable housing, which goes mainly to housing associations, although the Government has recently opened this up to for-profit developers and some local authority bodies.

Social housing is provided at below market rents so that, combined with the availability of housing benefit, all households can afford what it costs. In general rents for council housing are lower than those for housing association

⁹⁴ S Monk et al, *ibid*, Table 3.8

⁹⁵ Office of the Deputy Prime Minister, *Lessons from the Past, Challenges for the Future for Housing Policy*, 2005, page 6

housing. In 2007 the average weekly rent for council housing was £61, for housing association housing £67 and for private sector housing let on assured shorthold tenancies £133.⁹⁶

There are major regional variations in rent levels, driven to a large extent by the variations in the balance between demand and supply, and reflecting the different economic position of the North and the South of England. In 2007 average council rents ranged from around £52 per week in the North to £77 in London, and the range of housing association rents was similar: £57 in the North and £81 in London. So in the North of England housing association rents are around 65% of private sector rents, but in the South-East they are around 50% and in London 40%. Council rents show a similar pattern, ranging from 60% of private sector rents in the North to 38% in London.⁹⁷

These variations in the level of rent increases have been driven largely by the Government's rent restructuring policy. This aims to bring about greater coherence and consistency between the rents charged by council and housing associations, and to create a closer link between rents, the size and value of homes and local earnings. It has been delivered through the Housing Revenue Account subsidy system for council rents, and through Housing Corporation rules on housing association rents. The aims were to be delivered over a ten year period ending in 2012, although this may be extended in the light of the outcome of a review of the housing subsidy system that the Government launched in March 2008.⁹⁸

All social housing tenants benefit from their rents being below market levels, irrespective of their income. However the change in the role of social housing described above means that most social housing tenants are on low incomes and receive housing benefit. In England 63% of council tenants and 70% of housing association tenants do so. In contrast most private tenants pay their own rents with only 31% receive housing benefit.⁹⁹ Housing benefit is payable to people in relatively low paid employment as well as to the unemployed and economically inactive. However the availability of housing benefit to people in work is not widely understood and many local authorities take a long time to process housing benefit changes. This makes many people reluctant to take jobs.¹⁰⁰ In addition, the steep (60%) withdrawal rates as income from work



96 DCLG, Housing Statistics Live Tables 701, 703 & 731

97 DCLG, Housing Statistics Live Tables 701, 703 & 734

98 DCLG news release 10 March 2008

99 Figures calculated from DWP housing benefit statistics and DCLG housing stock statistics on their respective websites

100 Work Directions and Ingeus, June 2008, *Making Housing Work: the links between housing and worklessness*.

rises, coupled with the parallel withdrawal of council tax benefit, often leaves recipients little incentive to seek to increase their earnings through work.

Polling carried out on behalf of the *Centre for Social Justice* by *YouGov* found that:

- over a third of social tenants claiming housing benefit had had problems with claiming it
- less than one in ten said that those problems were sorted out quickly and efficiently
- only one third said that the problems were sorted out within a month of them arising.

Our polling also showed that only one in five social tenants believed that they would be better off if they took a job or worked more hours.

2.9 Creative thinking: proposals for reform

Social housing is failing to fulfil its remit. Instead of providing secure homes at affordable prices; instead of enabling tenants to build successful lives that fulfil housing aspirations; social housing has become the destination for people whose wider aspirations have been dashed. All too often, concentrations of the most vulnerable in our society are parked on stigmatised estates and simply abandoned. This carries consequences for their prospects, their health, their families, their children, *our society as a whole*. From being the tenure of choice for many who would consider themselves working class, it has increasingly become the tenure of the workless class.

Only one third of working age social tenants have full-time jobs, and less than half have any kind of employment. This *residualisation* of social housing, this concentration of poor, deprived people on housing estates, compounds their problems, damaging health, self-esteem and life prospects.

With so many people owed a duty to be housed – and the current Labour Government presiding over an ever widening circle of beneficiaries for that duty – and with so few affordable alternatives in London and many other parts of the

“Social housing needs to deliver the security and the stability, as well as the affordability, that families need. But it also has to meet the needs of the 21st century. Social housing needs to support opportunity too. And that, critically, is where I think we need to do more.... At its best, social and affordable housing gives people the secure base they need to make a better life for themselves and their children. But at its worst it drags people down rather than giving them a leg up.”

Yvette Cooper, Labour Minister, speech to Chartered Institute of Housing/Housing Corporation event, December 2007.

country, we have a situation that cannot continue. As the private sector begins to investigate shared equity, share to buy, micro-flats, longer mortgages and equity release to meet the challenge of affordability, it is time for the social sector to be equally creative in dealing with the affordability issue, moving beyond a simple call for more grant for more social housing.

Reforms are needed to allocation systems and associated legislation, to halt any further *residualisation* of social housing; to reduce concentrations of deprived people on existing estates; and to try to ensure that social housing supports people's mobility and livelihoods rather than hindering this. A significant aspect to all these reforms is the need to give councils much greater freedom to respond to local conditions.

“A progressive vision for social housing in the 21st century is one that goes beyond simply housing provided at sub-market costs, but as a means for promoting social justice, personal responsibility and independence, access to opportunities and social mobility.”

Jim Bennett, Head of Policy, Housing Corporation, New Start

2.9.1 HOUSING ALLOCATION REFORMS

In order to access the scarce commodity of social rented housing, people are required to comply with an *allocations procedure* which, by emphasising need, means that people have to go to great lengths to prove that their needs are far greater than the next household. The requirement to show how much in need you are occurs not only at the application stage but also throughout their wait for a social tenancy, and can be demeaning and intrusive for the individual. The process of access to private rented housing, in contrast, is far less intrusive and simply requires people to prove their capabilities and resources.

While social housing is owned by councils and housing associations, the Government controls the ways in which they can use it to such an extent that it has effectively been nationalised. There is a shortage of affordable housing in most parts of the country. In those areas the detailed rules on how social housing is to be allocated and used, and how homeless people are to be helped, leave local authorities with very little discretion in how they manage their housing assets, and drive the processes of *residualisation* and concentration of deprivation. The rules also conflict with the public's views about the factors that should be most important in determining who gets priority for social housing, and whether all social housing tenants should have life-long security of tenure. A MORI survey for *Inside Housing* found that 23% of people believed that the key factor should be time on the waiting list, 22% being currently housed in inadequate accommodation, 15% how long someone had lived in the local area, and 14% being a key worker.¹⁰¹



101 Ipsos Mori poll results reported in *Inside Housing*, 6 June 2008

We must set authorities free from these centrally imposed bureaucratic systems. They must be empowered to develop and implement their own allocation policies which match local circumstances.

Policy 2.1

We believe that the law should be changed so that local authorities are free to use new and existing social housing as it becomes vacant, as they see fit.

Once they have this freedom, councils could then prepare their own social housing allocation plans, in consultation with local communities, setting out how they propose to use social housing stock in their area. This would include both their own housing and housing association homes over which they have nomination rights – as it becomes available.

As John Hills put it in his report ‘we need to move beyond an approach where the key function is rationing and trying to establish who is *not* eligible for social housing to one where the key question is “How can we help you to afford decent housing” and “Here are your options”. In drawing up these plans authorities would be able to balance the sometimes conflicting objectives that they need to address. For example the desire to achieve communities that enable residents to flourish; the need to ensure that low paid key workers can secure homes close to where they work; the need to keep the housing benefit bill and the importance of encouraging economic independence and social mobility.

2.2 Councils should be granted the power to sell homes where they so wish, either outright or on shared ownership terms, for example to create more mixed communities or to generate receipts. They should fully retain the receipts, for investment in housing improvement, new social housing in other parts of their area or other social projects as they judge necessary.

Local councils would set out in these plans how they choose to balance the claims of homeless people, key workers, people who have been on their waiting lists for a long time, sons or daughters who need to live near their parents to provide them with care and support, people moving into the areas to take up jobs, and so on. Their allocation plan would be based on their local strategy, objectives and manifesto commitments.

These plans should set out the basis on which councils let and manage their housing and handle nominations to housing associations’ rented housing, and how they seek to ensure that tenants comply with their tenancy conditions. As the box below shows, there are various examples of approaches aimed at rewarding ‘good’ behaviour, and the lessons of these could be applied more widely.

2.3 Linking Aspiration to Constructive Behaviour

A failure of many is to automatically dismiss those who live in social housing as bereft of *aspiration*. Yet one of the most intriguing and important findings in our research is that those who live in social housing very often retain the aspiration to own their own home.

Polling conducted by *YouGov* for the *Centre for Social Justice* shows as many as 70% of those who pay their social housing rent on time retain aspirations to one day own their own home. Yet aspiration is not enough. For aspiration fails where there is no hope.

Our previous work on economic dependency, in particular the work published in *Breakdown Britain*, showed that for many of the most vulnerable in society, Government poverty indicators failed to reflect the true hopelessness of their situation. The Government predominantly uses the measure of *poverty of income* to measure the success of its initiatives, especially the child poverty strategy. However, this fails to take account one of the most important influences on behaviour: *poverty of assets*.

Our assessment of an individual's relative poverty necessarily changes when asset poverty is taken into account. Those who would appear to be in a situation of extreme poverty with regard to their income, are often found to be in even more extreme poverty when their relative lack of assets is considered. Our benefit arrangements often mean that many of the most poor are left on benefit incomes that offer modest financial comfort, and whose economic arrangements preclude the acquisition or saving of any sort of liquid or solid asset¹⁰². The only outcome can be that their dependency endures.

There are qualitative behavioural factors to take into account as well. Helping to lift the most vulnerable out of income poverty is by no means easy, but it is certainly easy relative to helping them escape asset poverty. Yet the potential benefits from helping the most vulnerable escape are immense. The ownership of an asset encourages a series of behavioural changes. Those who own are more likely to protect their assets, to protect their position of ownership and to engage in constructive behaviours that enable their assets to be protected and enlarged, behaviours that benefit themselves, their families and the community at large.

When that asset is a share in a house, the behavioural link is made even more clear.

As a progressive society, we need to find a way to end the cycle of destructive behaviour on our social housing estates. This must involve fostering a real link between aspiration and behavioural shift. Finding a way to relieve asset poverty,
(cont.)

102 This will be discussed further in the forthcoming submission from the *Centre for Social Justice's* Economic Dependency Commission, reporting early 2009

to offer social housing tenants a clear, achievable means to procure their own assets is tantamount to offering hope. Along with this hope comes the incentive to behave more constructively, to take action and responsibility for one's own life. Society will benefit in every way from these behavioural shifts.

The Government have proposed many ways to *punish* tenants who fail to pay their rent or behave responsibly. We have noted Government rhetoric about *commitment contracts*. There is something to be said for these contracts, but no amount of contracting to commit to constructive behaviour will help re-establish the hope to match the aspiration of the most vulnerable. We have to be prepared to shift the paradigm of incentives drastically if we are to offer social housing tenants a real way out.

Our research has noted a few current practises that reward those who comply with their tenancy conditions, actively support others and help build a community:

- *Irwell Valley Housing Association* has pioneered a “gold service” which gives benefits such as discounts in local shops and other rewards to responsible tenants
- *Right to Buy and Right to Acquire* are generally only available to those with an up to date rent account and no history of anti-social behaviour
- *Genesis Housing Group* gives small shares of equity to tenants moving into a scheme in Hammersmith and Fulham, which they can cash in after a number of years.

The latter two schemes are most intriguing, as they move some way towards providing the hope of relieving asset poverty.

We encourage an incoming government to look at releasing some of the value in social housing to sitting tenants who pay their own rent and make a contribution to the community. This could take the form of a discount on the purchase price for those moving to outright or shared ownership.

However, the most radical approach is also the most important. We recommend that economic analysis be commissioned into the rewarding of constructive behaviour in the community, including, but not limited to, a genuine effort on the part of a social housing tenant to find work, by giving social housing tenants increasingly larger equity stakes in the home.

Having a stake in a home is both a privilege and a responsibility. It would inculcate the values of constructive social behaviour and create, from the vicious cycle, a virtuous cycle, that encourages social housing tenants to improve their own families' future.

While occupied by social tenants social housing has very little value. Turning tenants into owners releases the value of the home and allows the most vulnerable in our society to benefit. More importantly, it offers a clear message of hope, for tenants and for society as a whole.

2.4 Councils and housing associations should ensure that their housing management systems incentivise and reward good behaviour by tenants. The Government should consider what legislative changes are needed to help achieve this.

These plans should also set out the council's policies on right to buy and the use of the housing association right to acquire and social homeBuy schemes in their area. Right to buy, right to acquire and social HomeBuy shared ownership would all be considerably more popular. Research by Professor Steve Wilcox has shown that for England the value for money level of the right to buy discount would at present average around 30–35%, based on the assumption that the stock is replaced with some element of affordable housing. Higher discounts could be justified in lower demand areas, and vice versa.¹⁰³

2.5 Councils should be free to offer right-to-buy discounts of up to 30% of the market price, and housing associations should be free to offer similar levels of discount for right to acquire and social HomeBuy purchases.

Housing associations would similarly be free to produce their own allocation plans, as they once were. Where they have agreements in place with their local authority partners their vacancies and new homes would be allocated alongside the council's homes. Any profits that housing associations made from rents or from the proceeds of sales would, as now, be retained for investment in housing or other local community services, as associations are not profit distributing organisations.

2.9.2 HOMELESSNESS REFORMS

Many of the problems described in the first part of this Chapter are caused by allocating *permanent* social tenancies to the most vulnerable. In many cases, this denotes people who pass the test set by homelessness legislation. Put simply, this test is that the tenant must be homeless, unintentionally and vulnerable (over 60, under 19, disabled, mentally ill, pregnant, or a family).

The definitions are both too broad and too narrow: too broad, because the 'vulnerability' definition includes a great many of the British people, and too narrow because the definition of 'intentionality' and 'homeless' are particularly tightly drawn, as is the definition of 'settled' housing into which those deemed to

103 Joseph Rowntree Foundation submission to the Sustainable Communities Commission's Housing Sub-Group, February 2007, page 8 - 9

be 'owed a duty' are re-housed. The system is inequitable in its implementation (as the most vulnerable often fail to access it) and in outcome, where those who get allocated a home can keep their housing costs low without ever having to move. Those that cannot qualify must pay high rents, with little security.

The system is also failing because of the shortage of social housing, particularly in high demand areas. As a result of this many homeless households have to live in temporary private rented accommodation before they are able to secure



permanent social housing. In 2004 the number reached over 100,000, although it subsequently fell to below 80,000 by the end of 2007 as authorities gave greater emphasis to the prevention of homelessness and persuaded a significant number of homeless families to accept settled homes in the private rented sector. This is particularly a London phenomenon – some 57,000 of the 80,000 lived there.¹⁰⁴

The length of time homeless households stay in temporary accommodation has grown dramatically in recent years. In 1998/99 only 1% stayed in temporary accommodation for two years or more, but by March 2008 this figure had increased to 16%. In London the figure increased from 2% to 46%.¹⁰⁵

In addition the offer does not really address the problems that homeless people face and the social impact of concentrating the neediest together creates unattractive and threatening areas where no-one would choose to live. We need to have a different approach to supporting people who suffer from poverty and social deprivation.

Homelessness commonly occurs under the following circumstances: families evict young people, knowing that the council will give them temporary accommodation and, in due course, a permanent social tenancy; landlords evict assured shorthold tenants when their tenancies expire; households newly arrive; and households are evicted for rent arrears or anti-social behaviour.

“The system is failing because of the shortage of social housing in high demand areas.”

Homelessness needs to be understood as a crisis which is often about more than just housing. We would like to see Council's investigating the issues and causes that lie behind homelessness – for example, domestic violence, racial harassment, financial difficulties, child behaviour and the loss of a tenancy – and providing a supply of homes that can

be used as temporary housing for those facing a crisis.

This new approach to homelessness would build on the welfare to work proposals for which there now appears to be cross-party support, and should support the proposals for enhancing these which are being developed by the Centre for Social Justice's Economic Dependency Sub-Group.

104 DCLG housing statistics live table 624
105 DCLG housing statistical release 12 June 2008

2.6 The current homelessness obligation must be changed so that authorities are required to assess the housing and other social needs of people who present as homeless, focussing on the underlying causes of their homelessness. Their emphasis must be to agree an appropriate package of support to meet those needs in a holistic way.

For some homeless people, particularly the elderly, those with no prospect of sustaining employment and those with social care needs that can only be met in social housing, authorities would continue to provide social housing at subsidised rents. But many homeless people are young – either single people or young families – and their housing needs can often be better met in the private rented sector, alongside support to help them secure worthwhile jobs and build successful lives.

2.8.3 TENURE REFORMS

Most crucially, social housing tenure today is tenure for life. Alongside these allocation and homelessness reforms, therefore, there would need to be tenure reforms, to create the local flexibility that councils need so that they can respond to the different housing pressures that they face.

“On tenure reform, it is becoming increasingly striking that housing is the only field where a permanent intervention and long term state subsidy is applied to address an immediate need.”

Jon Rouse, Chief Executive, Housing Corporation, writing in *Rethinking Social Housing*, Smith institute, 2006

“Is it right that a developed society should be reacting to an individual’s short term needs by giving them a solution they wouldn’t take unless they were desperate? A solution that, in the longer term could significantly harm their life chances, and that of their children? We believe not. We believe that UK housing policy is based on outdated welfarist foundations and that a fundamental rethink is required.”

Tim Dwelly and Julie Cowans, joint editors, *Rethinking Social Housing*, Smith Institute 2006

Once a household secures a social tenancy for life, the value of low rent housing to them discourages people from giving up their home when they no longer ‘need’ it and, whilst it is not our intention to suggest that social tenants are dishonest, the current market can tempt people into subletting illegally, or using their disposable income to buy a second home and letting it as an investment.

2.7 We propose that the law should be changed so that councils and housing associations are free to let social homes on whatever terms they judge most appropriate to meet the particular needs of incoming tenants.

Existing social tenants would retain their current tenancy status – the change proposed would only apply to new tenancies.

We are aware that this is a controversial reform, however it is certainly necessary if the fight against social breakdown is to be carried. There is no reason to believe that councils or housing associations would abuse this freedom, and in any event its use would be subject to regulation by the Audit Commission or the Tenant Services Authority.

For new lettings councils and housing associations might, in appropriate cases, choose to let homes on time-limited tenancies, or at market or intermediate rents, for example while young people complete training and secure employment, or so that young single mothers can finish their education and secure work before they move on to independent housing.

There are, moreover, international models for this reform. In the Netherlands, a Housing Association in Rotterdam, Woonbron-Maasoever, has experimented with a similar programme, ‘Clients Choice’,¹⁰⁶ where tenants are offered a choice of five tenure options:

- normal rent contract;
- fixed rent contract for five or ten years;
- fixed rent-increase contract for five or ten years;
- purchase, with a discount on the market value and a sale-back guarantee with a 50:50 division of increase or decrease in value between the association and the tenant;
- outright purchase, under the condition that the association has the right to buy at market value when the tenant sells the dwelling.

A number of associations in the Netherlands have since chosen to develop similar models. Fixed term tenancies have been introduced for new social tenants in two states in Australia, Queensland and New South Wales. In Queensland, new tenancies are reviewed every four years and, if it is found that they are no longer eligible for social rented housing, they are given assistance to transfer to the private rented sector. Similarly, in New South Wales, new tenants are given a tenancy for a certain length of time that reflects the need of the household, taking into account the age and household size.¹⁰⁷

¹⁰⁶ For more information, see Gruis, V, Elsinga, M, Wolters, A, Priemus, H, Tenant Empowerment Through Innovative Tenures: an analysis of Woonbron-Maasoever’s Client’s Choice Programme, *Housing Studies*, Vol 20, Issue 1, pp 127-147.

¹⁰⁷ Fitzpatrick, S and Stephens, M, *An International Review of Homelessness and Social Housing Policy*, Department for Communities and Local Government: London, November 2007: 32.

2.9.4 SOCIAL HOUSING ASSET MANAGEMENT

These proposed changes would compel councils and housing associations to take far greater account of the current value of the housing assets they own and in deciding how their investments should be used. It should not be forgotten that these assets represent a significant proportion of total public sector asset. The vacant possession value of the 4 million social homes in England would currently be over £500 billion. Between 1997 and 2006 over £23 billion has been invested in existing social housing in England under the Government's decent homes programme, with a further £3.4 billion over the next years.¹⁰⁸ Total gross housing capital provision in England from 1997/8 to 2007/8 was over £32 billion.¹⁰⁹

The current social housing system effectively destroys much of this value. It is poor value for money for the public purse. The average value of a housing association home in London is some £250,000, but once it is let on a low rent, permanent basis to a social tenant its value falls to about £44,000. In many cases the rents charged are too low to cover the costs of management and maintenance, repairs and loan payments. The reforms we have proposed above are designed to improve the value for money of the housing investment that the Government can afford, and to enable local authorities and housing associations to manage their housing assets more effectively. Over time the Councils might decide that specific services provided to homeless or needy families – such as parenting support, into work schemes etc – may offer better returns than long-term subsidised social housing.

“The average value of a housing association home in London is some £250,000, but once it is let on a low rent to a social tenant its value falls to £44,000.”

2.8 We believe that both local authorities and housing associations should be encouraged to produce asset management strategies, which would ensure that they maximise the value that they secure from those assets, and dispose of homes which were not economic to repair, in the wrong areas or the wrong unit types.

Stock transfer to housing associations is a good way to increase investment in the stock. However the tenant veto has prevented it taking off effectively. A more proactive approach, coupled with a better offer to tenants, is needed.

2.9.5 HOUSING FINANCE REFORM

These policy and legislative changes would have to be accompanied by changes in the Housing Revenue Account subsidy system, to ensure that councils were genuinely able to make use of the new flexibilities. Following the Government's

108 DCLG *Community, opportunity, prosperity*, Annual report 2008

109 Steve Wilcox *UK Housing Review 2007/8*, table 63

December 2007 announcement, that system is currently under review by the *Department for Communities and Local Government*. The *Local Government Association* published a position paper for the review, supported by *London Councils*, *CIPFA*, *the Councils with ALMOs Group*, *the Association of Retained Council Housing* and the *National Federation of ALMOs* in July 2008.¹¹⁰

2.9 We endorse the conclusion of the LGA's position paper for the *housing finance subsidy review*, which advocates replacing the current system with one that is locally based, involves local communities in deciding how resources are allocated, and only has national controls that are essential to protect public finances.

Our recommended reforms would, at least in the short term, have some housing benefit implications, although on average homeless people in London spend two years in temporary accommodation before they are able to move into subsidised social housing, so under the current system the extra costs should not be great, particularly given the strong emphasis on helping people escape from welfare dependency as quickly as possible. These issues will be taken into account in the welfare reform proposals being developed by the Centre for Social Justice's Economic Dependency Sub-Group.

My rent went to Whitehall

Summary recommendations of the LGA Local authority housing finance reform position paper

- The current system should be replaced to ensure councils can provide their tenants and communities with decent, affordable, well-managed homes.
- Councils and their tenants should have the same rights to self-determination as housing associations and their tenants and that they should have sufficient resources to enable them to manage their properties and their areas efficiently and effectively in perpetuity.
- The in-built redistribution of subsidy within the current system is unfair and unjust. The rents tenants pay should be entirely spent on their housing needs and the needs of their local community.
- Tenants' rents should not be subsidising the Treasury. All the resources within the housing system should be spent on homes and housing related services eg neighbourhood management and not redistributed to other policy areas. Where there is a need for subsidy, this should be met from general taxation in the same way as any other public spending need.
- Councils should have the right to dispose of all revenue generated from council housing.

110 Local Government Association, *My rent went to Whitehall - position paper*, July 2008

2.9.6 TRANSFORMING FAILING ESTATES

Over time the reforms proposed above would begin to change the character of large council estates as more leaseholders, more economically active households and more diverse communities would take root and the areas would become more mixed and grow back into the surrounding areas, rather than being isolated from them. And the specific characteristics of social housing, with its distinctive geography, design, environment and customer base would be transformed so that it became just like other housing – i.e. homes for rent or purchase by people with the resources to choose.

The conditions on failing estates are, however such that we cannot afford to wait whilst the effects of these reforms slowly build up. Living conditions on these estates need urgent transformation. Previous governments have pursued a succession of area-based initiatives aimed at achieving this – housing focused neighbourhood renewal programmes such as *Priority Estates Projects*, *Estate Action*, *Housing Action Trusts* and the *Estate Renewal Challenge Fund*, and neighbourhood regeneration programmes which cover problematic social housing estates such as the *Single Regeneration Budget* (which absorbed *Estate Action* funding) and the *National Strategy for Neighbourhood Renewal*.



There are a number of criticisms of these initiatives:

- The very process of targeting specific areas is ineffective in reaching the most poor, since the spatial mixing of deprived persons means that you will always miss out the poor who reside outside the areas and include those who are not in need.¹¹¹
- Many of the earlier programmes funded small scale demonstration projects, the lessons from which were to be rolled out more widely. Whilst they achieved some successes in the areas they were based, this mainstreaming was not achieved.
- The initiatives relied too much on public expenditure, and failed to create the conditions needed to attract the private investment required for long term sustainable regeneration.
- Many of the larger and earlier programmes were focused too narrowly on housing problems, rather than also tackling the other problems that estate residents faced such as the poor quality of other public services, limited accessibility, low levels of employment, etc.
- The more recent initiatives, including the New Deal for Communities and the National Strategy for Neighbourhood Renewal, have demonstrated more success in addressing place-based issues of ‘liveability’, crime and the

111 Tunstall, R and Lupton, R, 2003, *Is Targeting Deprived Areas an Effective Means to Reach Poor People? An assessment of one rationale for area-based funding programmes*, Case Paper 70, London: Centre for Analysis of Social Exclusion.

local environment, than in addressing health, education and worklessness.¹¹² However, it is important to note that this may be due to the length of time it takes to show improvements in the latter areas and that it is harder to achieve people based outcomes at the neighbourhood level.¹¹³

- Many of the earlier regeneration proposals were often developed independently of residents, rather than with them, so that regeneration was done to communities rather than led by them.

The 2001 *National Strategy for Neighbourhood Renewal* sought to bring a more co-ordinated approach to tackling the problems of deprived areas, including social housing estates.¹¹⁴ It was supposed to be a 20 year programme, aimed at ensuring

that ‘by 2021 no-one should be seriously disadvantaged by where they lived.’¹¹⁵ The programme included additional funding from the neighbourhood renewal fund, and the *Neighbourhood Renewal Unit* was established in the *Office of the Deputy Prime Minister*, with the roles of supporting local neighbourhood renewal activity and seeking to mainstream neighbourhood renewal across central government policies and programmes, as well as setting up new neighbourhood-based initiatives, including neighbourhood management and neighbourhood warden schemes. However, after only seven years in operation, the *Neighbourhood Renewal Unit*

has been abolished and the neighbourhood renewal fund is being phased out. Its replacement – the *Working Neighbourhoods Fund* – focusses solely on low levels of economic activity in deprived neighbourhoods.

“The community itself knows best and, supported and facilitated, its members are best placed to create a more equitable and sustainable future.”

A Real Community Centre, Nick Temple, *The Guardian*, 10 September 2008

2.10 We believe that the holistic, community led approach set out in the Government’s 2001 *Neighbourhood Renewal Strategy*, combined with initiatives to secure a greater mix of incomes and tenure, was a promising approach. The approach needs to lever in private sector investment in homes for sale alongside public investment in social rented homes and in improving the local environment, community safety and public services, and programmes aimed at tackling economic inactivity and building enterprise.

112 See, for instance, Beatty, C, Foden, M, Lawless, P and Wilson, I, 2007, *New Deal for Communities National Evaluation: An overview of change data: 2006, Research Report 33*, London: Communities and Local Government; SQW, 2007, Research Report 38, *Neighbourhood Management: An overview of the 2004 and 2007 Round 2 Pathfinder Household Surveys: Key Findings*, London: Communities and Local Government; and SQW, 2006, Research Report 23 *Neighbourhood Management- at the Turning Point? Programme Review 2005-06, Summary*, London: Office of the Deputy Prime Minister.

113 Lawless, P, 2007, *Continuing Dilemmas for Area Based Urban Regeneration: evidence from the New Deal for Communities Programme in England, People, Place and Policy Online*, Volume 1 Issue 1 pp 14-21.

114 Social Exclusion Unit, *National Strategy for Neighbourhood Renewal: A Framework for Consultation*, 2000

115 Social Exclusion Unit 2001, *A New Commitment to Neighbourhood Renewal: National Strategy Action Plan*, London: Cabinet Office

“Reform is needed to remove the barriers to opportunity sustained by a well-meaning but outdated social housing system.

How much social justice can our dynamic modern economy achieve while so many of the poorest are still lumped together as a single group on stigmatised estates?”

Tim Dwelly, joint editor of *Rethinking Social Housing*, Smith Institute, 2006

“As long as we perpetuate the apartheid of concentrating the most vulnerable together on mono-tenure estates, it will be difficult for lives to be transformed. Government and housing providers must therefore make breaking-up mono-tenure estates a priority.”

Iain Duncan Smith, Speech to Chartered Institute of Housing Conference, June 2008

There was certainly promise in the National Strategy’s approach, although it gave insufficient emphasis to the need to create the right conditions for private sector investment in these deprived areas. Combined with the work of community groups and voluntary sector organisations, we believe there is merit in taking a second look at it, and producing a new holistic framework for community based estate renewal and regeneration.

2.11 We must secure a wider mix of tenures and incomes, on failing social housing estates. Wherever possible this should be achieved by using the surplus land often found on such estates for market housing, accompanied by open market sales of existing social housing. In high demand areas the receipts should be reinvested in social housing elsewhere to avoid a net loss.

Research by the *Joseph Rowntree Foundation* has shown that initiatives that extend the mix of tenures and incomes on social housing estates have consistently led to an improvement in property prices, lower turnover and increased demand for homes that are vacated. They have also led to higher levels of tenant satisfaction and a better reputation for stigmatised neighbourhoods among outsiders.¹¹⁶

The Government’s mixed communities demonstration projects provide useful examples of this approach, but these need to be rolled out much more widely. Lessons can also be learnt from the *Joseph Rowntree Housing Trust’s SAVE (Selling Alternate Vacants on Estates)* scheme.

116 Graham Martin and Judi Watkinson *Rebalancing communities: Introducing mixed incomes into existing rented housing estates*, Joseph Rowntree Foundation, April 2003

Joseph Rowntree Housing Trust's "SAVE" scheme¹¹⁷

In the 1990s, the Trust became concerned that its 1,000 home New Earswick estate in York – in many ways previously a model housing development – was becoming residualised and stigmatised. Grants from what was then the Tenant Incentive Scheme had encouraged better-off tenants to leave, and new tenants from council nominations were overwhelmingly in the greatest need.

To counter this, in 1998 the Trust started selling alternate properties that became vacant on the estate, and using the proceeds to replace them with new homes elsewhere.

The first few sales were at prices that did not allow "like-for-like" replacement, but within a few years as the composition of the estate has changed, and perceptions of it improved, prices rose to a level where each sale generated the capital needed to replace it with a unit elsewhere in York.

Demand for homes to rent on the estate increased markedly, with more families in work moving in. By the end of 2002 21% of the homes on the estate were either leasehold, low cost home ownership or fully owner occupied.

The overall number of homes provided by the Trust has not diminished, its stock has been diversified, and the income mix in the original estate has improved.

117 Joseph Rowntree Housing Trusts and Joseph Rowntree Foundations website

CHAPTER THREE

Towards New Communities

3.1 Successful local development

The Government's response to the housing shortfall has been to advocate a step-change in the supply of new homes. Targets for the number of new homes have been imposed centrally. Development is to be delivered on previously developed land, at high densities where necessary, and in Growth Areas, New Growth Points and Eco-Towns.

However, as we point out in Chapter 1, centrally imposed building targets often have little relevance to the needs of the local area and can create hostility to development. Central planning and centrally imposed targets are criticised by commentators as at best unresponsive, at worst inimical to the needs of local communities. This is particularly true in the case of housing.

Chapter 2 has outlined the social factors that cause housing estates to fail. There are also 'area effects' such as a weak local economy, poor environment and poor provision of public and private services,¹¹⁸ which, are commonly found to "limit the life chances of people living within [the area], above and beyond their own personal circumstances."¹¹⁹

This chapter outlines the importance of creating mixed communities that offer a range of non-tenure specific flexible housing and are centred on work, enterprise and business. It also proposes an approach to growth based on building communities in existing areas which already have an excellent provision of public and private services that can be expanded as necessary. We explore the elements of successful development, showing that *where*, *what* and *how* we build homes can be even more important than delivering the "correct" number of units.

3.2 Flexible housing for all

Breaking the vicious cycle involves several commitments. There are the personal commitments: among others, the conviction that humans ought not to want to exclude the most vulnerable, law-abiding members of society from their communities and a commitment to end the social apartheid that the current

118 Prime Minister's Strategy Unit, Improving the prospects of people living in areas of multiple deprivation in England, January 2005.

119 A Berube, *Mixed Communities in England: A US perspective on evidence and policy prospects*. York: Joseph Rowntree Foundation, 2005: 19

“Labelling people... as “Social housing tenants” seems an odd approach when this is compared to other services provided with public subsidies. Those using state schools and NHS hospitals use these services without being singled out or given a title. When I was at school, those children receiving free school dinners had to sit on a separate table from other children, and I was always struck by how this was not a good or fair approach.”

Pam Lockley, Chief Executive, Paddington Churches Housing Association

system creates. From a policy perspective, the commitment has to be to mixed neighbourhoods: mixed tenure, mixed incomes and, as far as possible, tenure blind developments. We oppose the idea that homes are designated as ‘social housing’ or ‘market housing’ indefinitely. Instead, we propose that new communities should consist of housing which is flexible and available to all; people would choose to rent or buy, or to do both (shared ownership), and those in need would qualify for housing benefit to help them pay the market rent.

As occurs now, some of the homes built on each development could be purchased by housing management organisations such as housing associations, and could be let to those who prefer or need to rent. Local authorities would

continue to be responsible for the identification of those who need to rent. But as we propose in Chapter 1, instead of having tight rules laid down in Whitehall, they would have much greater freedom to judge need locally.

As people’s job prospects improve there would be an expectation that they could pay their own rent or become a shared or outright owner. This fits with the general views of the public, and of almost half of those currently living in social housing.¹²⁰ It also reflects the approach adopted in many other countries. The idea that eligibility for social housing should change as people’s financial circumstances improve is incorporated in practices in the United States and Canada, where households whose incomes increase are no longer eligible for public housing, and, in France and

Germany, where tenants may be required to pay a supplementary rent.¹²¹

Furthermore, low cost homes could be provided to suit the finances of first time buyers. The unit costs could be reduced by a number of means, including alternative approaches to design, using modern materials and methods of construction, constructing high rise homes, providing opportunities for self-build.

“The poll reveals that almost half of the social tenants questioned say that people who can afford private rents should not be living in social housing. Of all the people polled 61% think those who could rent privately should leave the social sector.”

Report on Ipsos Mori poll for *Inside Housing*, 6 June 2008

120 Ipsos Mori poll reported in *Inside Housing*, 6 June 2008

121 S Fitzpatrick and M Stephens, *An International Review of Homelessness and Social Housing Policy*, DCLG, November 2007.

The idea of flexible design was originally pioneered by John Habraken in the 1960s.¹²² It has been shown to have social, economic and environmental advantages, with many successful examples around the world.¹²³ A good self-build example in England is the 50 home developments at Walter's Way and Segal Close, Lewisham, named after Walter Segal, another pioneer of simple, low-cost self-build design and construction.¹²⁴

We propose that these homes should be purchased or rented flexibly. This approach would allow people to remain in the same area if they so choose. As they get older, buyers might release equity and return to renting. If the financial situation of, for example, a younger household improves, they would be able to buy part or all of their homes.

The homes would be available to purchasers, renters, and those in need of financial support to cover the rent. They would be *tenure-blind*, indistinguishable to the outsider, mitigating the stigmatisation of socially rented housing.

“We need a tenure-blind future”

Sarah Webb, Chief Executive (then Director of Policy and Practice) of The Chartered Institute of Housing, *UK Social Housing Futures*, Australian Housing Institute Seminar 16th November 2006

Policy 3.1

We recommend that the requirement that a proportion of new homes are built as “affordable homes” in perpetuity is removed. The homes offered to people requiring financial support with their rent should not be distinguished by design or location and the tenure should be flexible enough to change as the household's circumstances changed.

This approach to housing provision, where each home is let or sold at its market value, would allow the developer and housing manager to contribute the equivalent of commuted capital sums and ongoing revenue support to a community trust. The trust would fund employment, training and youth programmes run by the landlord or voluntary sector to help those in need. It would be funded long-term by the difference between the market rent and the cost to the not-for-profit provider of delivering housing management services.

A well-maintained and successfully managed environment is critical to the success of a neighbourhood. Creating and maintaining a good quality local environment is not only the responsibility of public services but of the households themselves. Graffiti and acts of vandalism need a rapid response, and any anti-social behaviour needs to be nipped in the bud. Families also

122 J Habraken, *Supports: an Alternate to Mass Housing*, Urban International Press (English version reprint) 2000

123 T Schneider and J Till, *Flexible Housing: opportunities and limits, and the means to the end*, Architectural Research Quarterly, Cambridge University Press, 2006

124 For details see www.segalselfbuild.co.uk

3.2 We recommend that developers who gain planning consent should be charged a tariff for the number of homes constructed. Together with the surplus from homes rented to people in need (referred by the local authority), this would create an income stream to pay for local community workers, employment and training schemes, and so on. Consequently the new communities will ensure better outcomes for all with the maximum social benefit.

need to play a greater role in helping their children grow up with the values of respect and responsibility and with a community spirit.

3.3 We need to ensure the effective delivery of management services so as to allow all members of the community to take an active role in maintaining a good environment.

3.3 Communities, enterprise, work

As Chapter 2 describes, failed estates have been the target of a succession of area-based initiatives, which aim to address the multiple disadvantages experienced in



deprived neighbourhoods. However, it is commonly observed that those who benefit from initiatives that seek to address ‘people-based’ issues, such as employment, health and education, subsequently choose to move out of the area. For example, Lawless found that those who moved out of New Deal for Communities (NDC) areas between 2002 and 2004 were more likely to be in employment than those who subsequently moved in.¹²⁵

We believe that new communities should be designed around the concept of work, enterprise and business. As is outlined in Chapter 4, employment initiatives would help residents train; find and retain jobs to meet the needs of the local economy; and help young people learn the benefits of working.

3.4 Integrated communities

A key lesson to learn from the past approach to planned communities is the importance of building communities that are well connected and have an excellent provision of public and private services. As Anne Power has

¹²⁵ P Lawless, Continuing Dilemmas for Area Based Urban Regeneration: evidence from the New Deal for Communities Programme in England, *People, Place and Policy Online*, Volume 1 Issue 1 pp 14-21, 2007.

observed, ‘difficult-to-let’ large housing estates in the 1970s and 1980s suffered from a range of problems.¹²⁶ These estates normally comprised a single function housing area with no diverse activities or facilities and a poor location, isolated from services and employment opportunities. Similarly, large private housing developments are far too often designed and built as low-density suburban ‘residential monocultures’ situated on the edges of towns. These car-dependent developments lack facilities and services; fragmented, they disperse populations who then have further to travel to reach increasingly centralised services, such as shops, schools and medical centres.

A research report commissioned by *Shelter* found that more recent developments in the Thames Gateway were experiencing similar problems with isolation, poor provision of public transport, inadequate management of public space and a delay or failure to deliver health and education facilities.¹²⁷ On one development, Gallions Reach Urban Village (GRUV), these problems were compounded by buy-to-let investors having bought up large swathes of the development with fraudulent or unpaid mortgages. These properties were subsequently repossessed, leaving large numbers of vacant homes subject to crime and vandalism. These problems have since been alleviated by the Gallions Housing Association, which bought up the repossessed homes and brought them back into use for social rent or shared ownership. The resulting tenure mix is very different from that originally planned, with a much lower level of owner-occupation. The solution has also involved significant further public expenditure.



“Some of the things that are in section 106 agreements aren’t always helpful. [Facilities get] vandalised and the residents have to pay to maintain it. It is very expensive, people steal shrubs...it is public space but it is maintained by the service charge of the people, you won’t see the management companies from those areas doing things to make the area look great.”

Local Housing manager, GRUV¹²⁸

126 A Power, *Estates on the Edge: The Social Consequences of Mass Housing in Northern Europe* (Second Edition). London: Macmillan Press, 1999; A Power, *Perspectives on Europe: unpopular estates in Europe and what can we learn from Europe?* London: Housing Corporation, 1996

127 P Bernstock, *Neighbourhood Watch: Building new communities, learning lessons from the Thames Gateway*, Shelter, July 2008.

128 Ibid.

“Now I would put more local shops and facilities in to the design, rather than as the scheme evolves, they would be in the planning application...There are no new medical services down there so they have to cope with expanded demand, there is no building that could be used for this.”

Lead Councillor for GRUV, Greenwich Council¹²⁹

These problems in Thames Gateway could have been avoided if the local agencies, project designers and developers had learned from the examples of successful mixed communities built adjacent to existing communities. For example research funded by the Joseph Rowntree Foundation and supported by the Chartered Institute of Housing describes three: Bowthorpe, on the edge of Norwich, Coulby Newham on the edge of Middlesbrough and Orton Goldhay on the edge of Peterborough.¹³⁰ Built from the late 1970s onwards, all three are sustainable communities intentionally planned as mixed-tenure estates. They have consistently enjoyed low levels of unemployment and benefit dependency, stable populations, no noteworthy

problems with crime or anti-social behaviour, and high levels of social capital, described by many interviewees as ‘good neighbourliness’.

The researchers ascribe this success to the mixing of forms of tenure, coupled with the excellent provision of local services, including education, health, commercial and leisure facilities. The type of mixed community we describe in the previous paragraphs would consist of a wide consumer base that would be able to sustain various businesses. It is vital that our approach to growth follows examples like these and does not repeat the mistakes of creating isolated communities that lack the necessary infrastructure and services to create a lasting community.

Where smaller communities are created, there should be a concerted effort to ensure that the facilities available serve multiple uses: schools could function as libraries and training centres for parents and young unemployed people out of hours, for example.

“The eco-town prospectus promised small new towns of up to 20,000 homes, with high levels of affordable housing, where ‘the development as a whole would achieve zero carbon’. But this is nonsense. Even if houses are carbon-neutral, their occupants will drive to work, fly, consume goods and produce waste, just like the rest of us. So the development as a whole can never be carbon-neutral. The difference is that eco-town residents will live in isolated settlements where reliance on cars will be almost total.”

Colin Wiles, ‘The green trap’ in *Inside Housing* 04/07/2008

129

Ibid.

130

C Allen et al, *Mixed Tenure 20 years on – nothing out of the ordinary*, Joseph Rowntree Foundation, September 2005.

Where growth takes the form of an extension to an existing area, there needs to be careful consideration of how the development integrates with the existing neighbourhood, both physically and socially. Physically, communities should not face inward, a feature of both post-war mass-housing estates and more recent private 'gated' communities, but should have an accessible and permeable built fabric. The public realm should be accessible and offer a range of uses, allowing people to interact. Research has shown that good design makes a positive contribution to improving social networks and neighbour relations.¹³¹ Furthermore, we would argue that involvement of the local community in the design and creation of a new neighbourhood is key to successful integration, as is giving the local community a meaningful say in how the neighbourhood is run.

The Duchy of Cornwall development at Poundbury, adjacent to Dorchester, provides a very good example of the application of these principles.

Most new building should take place in existing settlements, with existing residents encouraged to support growth through an approach that rewards them. Where larger developments are needed, they should be built in areas of existing strength (where there is work, industry, community, history and infrastructure), gathering the new community into the existing community,

“I think eco-towns are one of the biggest mistakes the Government can make. They are in no way environmentally sustainable.”

Lord Rogers speech reported in *The Daily Telegraph*, 28 May 2008

Poundbury

- A new settlement that will provide over new homes for over 5,000 people as well as 2,000 jobs adjacent to Dorchester.
- The homes will be built alongside various local facilities including offices, workshops, factories, shops and community and leisure facilities, so that most daily needs can be met without use of cars.
- The density of development is higher than typical for residential suburbs, to minimise land take and ensure the sustainability of local facilities like shops.
- There is a strong emphasis on quality of design and materials, landscaping and attention to detail, using local building materials wherever possible.
- The development is very mixed and tenure-blind, with social rented and shared ownership homes alongside owner-occupied homes
- There is careful provision of attractive, pedestrian friendly public spaces, all of which brings the community together.
- Poundbury shows that it is possible to build high quality traditional housing at affordable prices and provide new factories and offices on competitive terms within a pioneering approach to urban design.

131 See for example P Bernstock, *Neighbourhood Watch: Building new communities, learning lessons from the Thames Gateway*, page 6, Shelter, July 2008.

rather than isolating it. This can be achieved by increasing the density of development in existing areas, expanding upwards, or by encouraging existing areas to expand outwards, as an urban extension.

3.5 Collaborative working, harnessing best practice

Whilst, as we have shown, there are good examples on which the development of new communities can build, we would argue that there is still



a lot of learning to be done. There are excellent and atrocious examples of planning and housing and many schemes that appear to be successful at the beginning, and win prestigious awards, can sometimes rapidly deteriorate. What can be done to ensure that this does not happen? We need to work together with residents, communities, local government, specialist voluntary sector groups and professional disciplines to learn what does and does not work, to create successful communities.

3.4 The government must strengthen its efforts to work with the Prince's Foundation for the Built Environment, CABI, universities, developers, Housing Associations, local councillors, voluntary sector groups and residents to disseminate best practice and produce guidelines so they can be replicated.

CHAPTER FOUR

Independence and Enterprise in Social Housing

4.1 Social housing and economic dependency

Over the past 30 years the income mix of social tenants has changed greatly. Over two thirds of social tenants have incomes in the bottom 40%. This is largely the result of the very low levels of economic activity among social housing tenants.

This chapter feeds into our sister-report, to be published in 2009, on the benefit arrangements and economic dependency. Here, we will investigate the problem from a housing perspective, while leaving the question of substantive benefit reform for the later report.

“Too many tenants find themselves on estates where welfare dependency is a way of life, cut off from the job opportunities, social networks and wealth the rest of us enjoy.

Helping workless households move from dependency to independence must be a central objective in tackling poverty and advancing social justice.

Every household must be helped to achieve economic self-sufficiency, even if that cannot always be fully realised.”

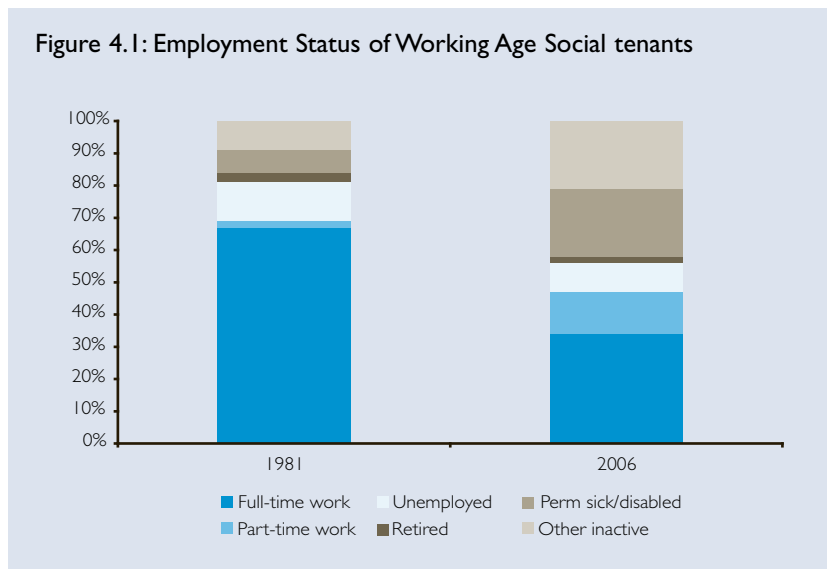
Iain Duncan Smith speech to Chartered Institute of Housing conference, June 2008

4.2 Employment status of social housing tenants

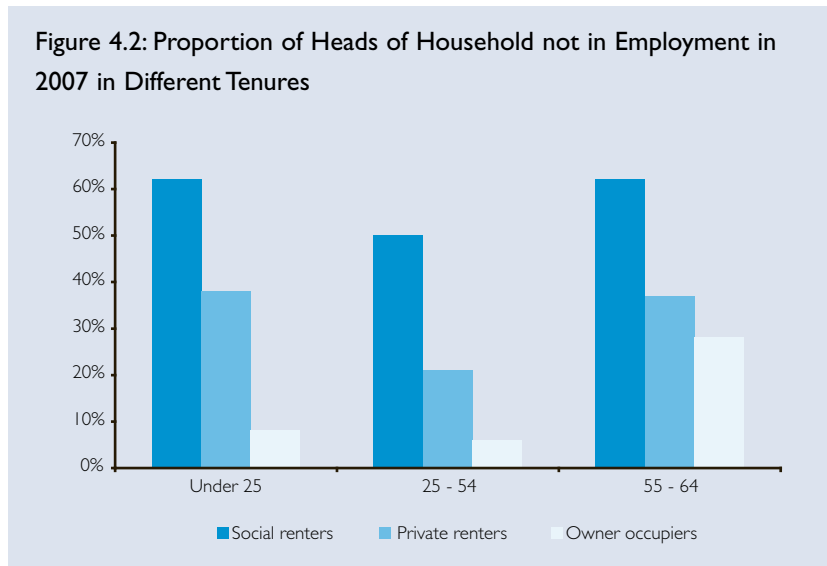
In the 1970s the proportion of no-earner households in council housing was just 11%. As chart 4.1 shows, between 1981 and 2006 the proportion of social tenants of working age in full time employment fell from 67% to 34%.¹³² The fall in the proportion of social tenants classed as unemployed was more than offset by the rise in the proportion classed as economically inactive. Nearly 25% of social tenants of working age are classed as permanently sick or disabled. In 2003/4 43% of social

¹³² Data from Labour Force Survey, from Professor J Hills, *Ends and Means: The future roles of social housing in England*, CASE report 34, Centre for Analysis of Social Exclusion, 2007 page 46

housing households contained a member with a serious medical condition or disability, more than twice the proportion for households in other tenures.



Today, as chart 4.2 shows, over one in every two households heads of peak working age (25–54) in social rented housing are not doing any paid work, compared to just one in twenty of those in owner-occupation.¹³³



There are significant regional variations in the proportions of social tenants who are unemployed or economically inactive, largely reflecting the variation in age distributions described in Chapter 2. The proportion is highest in the

133 Labour Force Survey, Office of National Statistics, data for 2007, updated April 2008

“There is an embedded culture of worklessness [in social rented households] ... The fact is that 70 per cent of incoming social rented households have no one in work and so the situation is getting worse and will continue to do so. Social renting is now the tenure for the unemployed.”

Simon Green, senior housing officer, Aldwyck Housing association, quoted in *Inside Housing*, 21 December 2007

North East and North West, and lowest in the East, South East and South West. Despite the high proportion of working age heads of household in London, it has a much higher proportion of economically inactive heads of household than the other southern regions; and the unemployment rate is higher than that in all regions except the North East and Yorkshire and Humber.¹³⁴

Research undertaken for the *Department for Work and Pensions* found that the effects of the tax and benefit system were a significant issue for both social and private sector tenants, appearing to function as a disincentive to work. It also identified six characteristics which contributed to the weak competitive position of many social tenants in the labour market – health issues, childcare responsibilities, debt, drug and alcohol dependence, criminal records and multiple disadvantages.¹³⁵

John Hills emphasised the failure of social housing to support mobility and livelihoods in his February 2007 report to the *Government Ends and means: the future roles of social housing in England*. He suggested five directions in which housing-related policies might evolve to give better employment outcomes for social tenants and from the resources involved in providing social housing. These are summarised in the box below.

John Hills' suggestions to improve employment outcomes of social tenants

- 1 Housing benefit (HB) reform; better promotion of HB availability as an in-work benefit; less rapid adjustment to HB levels following changes in circumstances; consider payments to social tenants rather than landlords.
- 2 More integrated housing and employment support; recognising that housing needs are often manifestations of low income problems resulting from economic inactivity.
- 3 More local employment initiatives, to ensure that social housing tenants benefit from the employment opportunities provided by public service expenditure in their areas.
- 4 Greater priority for job-related relocation in councils' allocation policies, coupled with expansion of choice based lettings schemes to cover wider geographical areas.
- 5 More fundamental reforms; setting social rents closer to market rent levels, starting in low-cost areas. This could either be applied to new tenants only, or it could be accompanied by some form of equity sharing arrangement.

134 S Monk et al, Cambridge Centre for Housing and Planning Research, University of Cambridge, *The Demand for Social Housing – a Review of Data Sources and Supporting Case Study Analysis 2006*, pages 30–31

135 DWP Research Report No 521, *Social housing and worklessness: key policy messages, August 2008*

The *Centre for Social Justice Social Justice Policy Group* has also studied these issues in some detail, and set out recommendations to tackle them in its 2007 report.¹³⁶

4.3 The benefits of work

It is essential that people are noticeably better off in work than when they are economically inactive. Proposals to ensure this are set out later in this Chapter. But it is important that housing and employment advisers and policy makers also recognise work's social and psychological benefits. Although medical research has shown that work generally helps health and recovery rather than hindering it, recent research by *Doctors.net.uk* found that two-thirds of doctors did not know of recent evidence that work is good for health.¹³⁷

A recent comprehensive review of the evidence confirms that work, including unpaid work such as volunteering, is generally 'good for you', leading to improved physical and mental health and well being, provided that the job is 'good work' (work that is safe and provides the individual with some influence over the work itself and a sense of self-worth).¹³⁸ There is also evidence to suggest that work can be therapeutic and form part of the path to recovery for those who are unwell or have support needs, something reflected in the *Work First* programme in Washington DC.

“Since I’ve been back in work now, I feel a lot more alive with myself...When I was on the incapacity there was nothing to do, you just sit around and it wasn’t really helping me in any way really...It’s like digging a hole and burying yourself really. You sit around doing nothing and the hole just keeps on getting bigger and I don’t feel it helped in any way.

Working’s very good for people. It keeps them motivated, it keeps them concentrated, it keeps them a decent person, and it keeps them a more practical person more to life, you know.”

Two male claimants quoted in *Sainsbury report*, ref 8, page 129

136 Social Justice Policy Group, *Breakthrough Britain: Ending the cost of social breakdown*, Volume 2: Economic Dependency and Worklessness

137 Dame Carol Black *Working for a healthier tomorrow*, TSO, March 2008, page 65

138 G Waddell and A Burton, *Is work good for your health and well-being*, TSO, September 2006

Work is central to an individual's identity,¹³⁹ providing social identity and status, social contacts and support, and a sense of personal achievement.¹⁴⁰ A recent study of incapacity benefit claimants found that many of them felt that work provided psychological benefits of pride, dignity and self-esteem, as well as social benefits of getting out and about, interacting and engaging with others, and providing a source of 'camaraderie' and an environment where they could build friendships.¹⁴¹ Interestingly some of the claimants in this study specifically stated that money was not foremost among the benefits they gained from work, and that the social engagement or personal fulfilment was of greater value to them.

“Incapacity benefit claimants felt that work provided psychological benefits of pride, dignity and self-esteem, as well as social benefits of getting out and about.”

4.4 Public attitudes

There is wide public support for the proposition that people living in social housing should be expected to work. For example a recent MORI poll for *Inside Housing* found that 72% of the public agreed (39% strongly) that unemployed tenants who live in social housing should risk losing their home if they are not prepared to take up opportunities for support and advice in seeking paid employment.¹⁴² And polling carried out on behalf of CSJ by *YouGov* found that only 43% of social housing tenants would oppose the policy that unemployed tenants in social housing should be expected to actively seek work as a condition of their tenancy.



However, while economic inactivity is an increasingly important issue for social tenants our polling evidence shows that only 10% of housing offices have information on jobs and training schemes in their area, and only 3% of social tenants have been encouraged to get a job by their housing officer. We make recommendations to change this in Chapter 6.

4.5 Existing housing and employment initiatives

In the last five years, housing associations and councils have spent over £200m on projects to tackle worklessness among their tenants, and in the communities in which they live. Many of them have been delivered in partnership with business, *JobCentre Plus*, local authorities and educational establishments.¹⁴³

139 P Lelliott et al, *Mental Health and Work*, Royal College of Psychiatrists, March 2008

140 P Warr, *Work, unemployment and mental health*, Oxford University Press, 1987

141 R Sainsbury et al, *Mental health and employment*, DWP, July 2008

142 *Inside Housing* 6 June 2008

143 Housing Corporation centre for Research and Market Intelligence, *Housing associations tackling worklessness*, November 2007

The Housing Corporation has identified a number of barriers to housing associations doing more to tackle worklessness among their tenants. The most significant are the difficulty in securing reliable, long-term funding and the lack of expertise and resources. Other factors include the disincentives in the rent and benefit regimes; a lack of awareness, often at local authority level, of what housing associations can deliver; the challenge of breaking through the barriers experienced by tenants; and the difficulty of co-ordinating and commissioning projects and partnerships.

4.6 The current government's approach

The Government welcomed Professor John Hills' analysis and suggestions.

“Social housing must work better as a platform for social and economic mobility... That is why I believe that social housing policy should be more closely linked to work... It is crucial to find more and better ways of enabling people in social housing to improve their prospects... We need to do more to coordinate that support, and to bring advice on housing together with advice on jobs and training... approaches that bring housing, training and employment together should be the rule, rather than the exception.”

Ruth Kelly, former Secretary of State for Communities and Local Government, speaking at the launch of the Hills report, 20 February 2007

More recently, Caroline Flint, the former Minister for Housing, suggested that social housing should be based around the principle of *something for something*, and asked whether new tenants who can work could be expected to sign commitment contracts, agreeing to actively seek work alongside better support.¹⁴⁴ Her analysis was as follows:¹⁴⁵

“The level of worklessness on some estates is a stark problem.

Council housing used to bring people together, giving security to hard working families, living in strong neighbourhoods. Today many council tenants have the same values: hard-working, supporting their neighbours and families. But there are also estates that are marginalised and overlooked, workless, usually unpopular.

144 Former Minister for Housing, speech to Fabian Society conference, 5 February 2008.

145 *Flint on council house row*, New Statesman, 12 February 2008

We all agree that social housing must mean more than handing over the keys and leaving tenants to get on with it for the next 30 years. But what should be the rest of the package that comes along with that new set of keys?

I think it should be a package which promotes progress and prosperity. So social housing acts as a springboard, not simply a safety net.”

Looking beyond the rhetoric, the Government's actions to date have not matched their vision. They announced a review of the working age Housing Benefit system in the 2008 Budget, focussing on its effectiveness in promoting work incentives, efficiency and fairness, and to ensure that it represents value for money. The review is expected to report later this year.

The Department for Work and Pensions has launched 15 *City Strategy Pathfinders*, testing an approach to tackling worklessness in the most disadvantaged communities, led by a consortium including local councils, Job CentrePlus, local training bodies and the private and voluntary sectors. Some of these pathfinders have created links with local housing associations but they are not specifically focused on worklessness among social tenants.

The level of enterprise in deprived areas, where social tenants are particularly concentrated, is significantly lower than other areas. For example, the business start-up rate in the 20 most deprived local authority areas is only half of the rate in the 20 most prosperous areas. And whilst the self-employment rate in deprived areas has risen slightly in recent years, reaching 6.4% in 2007, it is still well below the level in other areas (10.8%). The Government said in the *Enterprise White Paper* published with the 2008 Budget that it would promote enterprise in these areas by using its business support simplification programme to target and provide more intensive support; and by further developing its work with the *Princes Trust* to help disadvantaged young people realise their talents and potential through raising awareness of enterprise.¹⁴⁶



On integrating housing and employment support, the Government set up two expert groups, one to look at incentives and obligations and the other the best ways of supporting tenants into work.¹⁴⁷ These groups' ideas are expected to feed into another *housing green paper* to be published towards

146 HM Treasury and BERR, *Enterprise: unlocking the UK's talent*, March 2008

147 *Inside Housing* 21 March 2008

the end of 2008. It will detail proposals to provide housing services and options which help and encourage people towards greater economic independence and social mobility.¹⁴⁸ While consultation and stakeholder engagement is welcome, given the scale of the challenges that we face, we need to increase the pace of reform in this area.

4.7 Towards an enterprise culture in social housing

4.7.1 HOUSING BENEFIT REFORM

Over 75% of all housing benefit claimants live in social housing. Most of these claimants are economically inactive and housing benefit covers all their rent.

“It took a long time for housing benefit to come through, so I was using credit cards and loans to pay my rent... because it was private rented... and I just got myself into so much debt... because they wouldn't pay me housing benefit because they said I just gave up work.”

Incapacity Benefit claimant living in temporary housing, speaking at CSJ focus group hosted by A4e, Plymouth, 10 March 2008

This creates clear disincentives to seek employment. First, the very process by which rent is paid, which involves the payment bypassing the tenant, can lead to housing being experienced as a free good. Secondly, the complexity of the system means that tenants often have to wait a long time before they receive the benefit to which they are entitled. Thirdly, the benefits system, where an increase in income leads to a sudden and steep withdrawal of housing benefit, contributes to a belief among tenants that their net income while in employment will leave them worse off than if they were unemployed. This belief also appears to be perpetuated by housing managers and other professionals who work with tenants. We consider that the benefits system in particular places is flawed and must be reformed.

The Centre for Social Justice's Economic Dependency Sub-Group is considering these issues in detail, alongside other aspects of the benefit system, and will set out proposals for reform in its report.

4.7.2 OTHER WELFARE REFORMS

“Many households are financially better off relying upon welfare benefits than a combination of wage and family credits. It is not surprising there is some indifference to the work ethic among welfare recipients.”

Council tenant quoted in *Inside Housing*, 29 February 2008, page 17

148 Caroline Flint, Minister for Housing, speech to Chartered Institute of Housing annual conference, 17 June 2008

“I do want to go to work. I don’t like sitting on the couch all day...[but] I’m scared to get off benefits. It kind of gives you a security blanket. You know your rent is being paid, you know your council tax is being paid... When you go back to work, they cut it all.”

Single mother claiming Jobseeker’s allowance, speaking at CSJ focus group hosted by Tomorrow’s People, Hastings, 21 April 2008

“The people you’re talking to at the job centre or the housing office... don’t even know what they’re doing. Half the time they put you in a muddle and once they’ve made a mess of it they can’t iron it back out... So you’re running around like a headless chicken. You don’t want to muck around with your benefits... because you’re going to end up in arrears. And if you end up in arrears, you get thrown out of your house.”

Long term unemployed woman, speaking at CSJ focus group hosted by A4e, Plymouth, 10 March 2008

The non-housing benefit system also acts as a significant work disincentive to social tenants. The aim must be to reform the system so that there are strong incentives and support arrangements within it which will ensure that people who are capable of work secure jobs and progress in them, and that people are noticeably better off when working than they are when unemployed. The *Centre for Social Justice* Commission on Economic Dependency are currently developing proposals around these themes.

Policy 4.1

Getting people from welfare into work should be a first principle of government, and the drive to encourage social and economic mobility should be the key focus of all agencies working with the poor and families in need.

Once people are earning their own living they can begin to exercise greater choice about their housing, and every other part of their lives.

4.2 The Government must reform the economic incentives around getting a job, including the costs of getting to work, and childcare.

4.7.3 HOUSING ASSOCIATIONS’ ACTIONS ON WORKLESSNESS

As we show in section 4.5, housing associations are already very active in this area. *The Housing Corporation*, the *Chartered Institute of Housing* and the

“At London & Quadrant [Housing Association] the proportion of residents in work has fallen from 45 per cent to below 30 per cent in less than a decade ... We can sit back and do nothing and watch a further increase in non-working residents, or we can actively start to support our residents and facilitate access to skills and vocational training, and into sustainable work (as opposed to the short-term work placements typically offered).”

Gail Biggerstaff, group head of neighbourhood investment, London & Quadrant Group, quoted in *Inside Housing*, 22 February 2008, page 21

Government plan to publish a good practice guide for housing providers on tackling worklessness later this year. This should help housing associations extend their successful work in this area. The closeness of their relationship with their tenants makes it possible for them to act as a gateway to employment services in a way that JobCentre Plus is bound to find more difficult.

In our view there is no need for further pilots or pathfinders – the work that housing associations have done over the past 5 years provides ample evidence of which approaches are most effective, and the good practice guide should enable others to adopt them. But the barriers identified in section 4.5 must be overcome if this work is to make a real impact on the high levels of economic inactivity among housing association tenants, and it may be appropriate to pilot different approaches to overcoming these before rolling them out more widely.

4.3 Urgent action is needed to reduce the barriers to greater housing association and council activity on tackling worklessness among their tenants. This must include securing access to sustainable funding from the Government’s existing employment and training programmes.

4.4 The new *Homes and Communities Agency* and *Tenant Services Authority* must ensure that their policies, programmes and approaches encourage social housing providers to tackle the high levels of worklessness among their tenants, embedding this into their core business, and rewarding success.

4.7.4 COMMITMENT CONTRACTS

We support the idea of commitment contracts. It seems reasonable to believe that the vast majority of new working-age tenants could, with appropriate support, secure rewarding jobs. The form that such a commitment contract

might take has been the subject of much academic analysis. Consider, for example, the following from the Former Minister for Housing,

What I want us to consider is whether we can offer new tenants a complete package of incentives and opportunities along with the keys to their new home. In return, is it unreasonable that those who can work should be actively looking to do so? A package which might include skills audits, training opportunities and advice on seeking work. In this way, we can make sure that social housing is more than a roof over your head – crucial as that is – but that it helps people gain more control over their own lives.

4.5 There should be a new requirement that new working age tenants - in particular the half of new tenants who are under 35 – and their landlords sign commitment contracts under which the tenant agrees actively to seek work and the landlord agrees to provide or access support such as training or childcare to help them do so. This would operate alongside the new, locally determined, tenure system that we propose in Chapter 2.

For commitment contracts to work, social housing providers would need to change too. Instead of being effectively state sector bodies which allocate a scarce, cheap resource to the most needy, they would become bodies that encourage and enable those in need to progress. Their objective would be to support the social and economic mobility of their customers rather than simply to provide them with housing. The emphasis on helping people grow rather than managing buildings is the appropriate role for social and charitable housing providers today. This is discussed further in Chapter 6.

4.7.5 PROMOTING ENTERPRISE AMONG SOCIAL TENANTS.

Existing employment and training approaches focus much more on employment and jobs than on self-employment and enterprise. In our view there are large numbers of frustrated potential entrepreneurs on social housing estates. In a consultation paper published with the 2005 Budget, the Government noted that there is a persistent gap in levels of entrepreneurial activity between deprived areas, where social housing is concentrated, and the country's most prosperous areas.¹⁴⁹ And research funded by the DTI found that there is clear evidence of unfulfilled enterprise potential in deprived areas.¹⁵⁰ As

149 HM Treasury, *Enterprise and economic opportunity in deprived areas*, March 2005

150 Centre for City and Regional Studies, Hull University & MTL Consultants, *Policy Interactions and outcomes in deprived areas*, DTI October 2005

well as providing support with drawing up business plans, securing finance, marketing and so on this would also mean helping tenants remove unnecessary Government regulation that prevents them from taking responsibility and improving their own lives.

4.6 Greater efforts are needed to help economically inactive social housing tenants who want to be self-employed and build their own businesses, with unnecessary restrictions on tenants using their homes for business removed.

CHAPTER FIVE

The Young, the Old, and the Hard to Help

5.1 Helping the most vulnerable

Many of the homes that local authorities and housing associations provide are built and managed to meet the particular needs of vulnerable people. For example in 2006, housing associations provided some 100,000 supported housing units and some 300,000 other units designed or designated for older people. In addition much of their general needs housing is let to vulnerable people – 45% of new lettings in 2006/7 were made to vulnerable people, of which the majority were statutorily homeless.¹⁵¹ Therefore, in discussing reforms to the housing allocations process and concepts of homelessness (as outlined in the previous chapters), it is necessary to consider the place of vulnerable households.

Current housing law enshrines a broad concept of vulnerability. On the one hand, this gives scope for local authorities to house people with a range of needs; on the other hand, it can mean that those who are truly the most vulnerable rarely qualify for social housing. In this chapter we consider the needs of three main groups of vulnerable people: the young who have additional social needs, the old or those with significant disabilities, and those with severe support needs, including single homeless and anti-social families. We believe that the solutions required vary for each group and that, since many vulnerable people have multiple needs, all solutions should be flexibly applied, depending on the specific needs of the individual or family.¹⁵²



151 Housing Corporation Thematic Review, *Vulnerable people in general needs housing*, July 2008, The main groups covered by the Corporation's definition of vulnerability are homeless people; people whose previous accommodation was a direct access hostel, supported housing, housing for older people or a residential care home; people who have particular health problems or disabilities; people who have been subject to domestic violence; young people who are leaving residential care homes or foster parents, people who are re-refugees; and ex-prisoners.

152 Thematic Review: Vulnerable people in general needs housing, July 2008, The Housing Corporation.

5.2 The young

As Chapter 2 points out, those under 25 years of age are over-represented in the social housing sector, due to the priority given to lone parents and those who have left care. This group has ongoing support needs, but they are often simply given a social tenancy and not offered the level of support necessary. In contrast, we do not think a tenancy without support is appropriate for this age group and support the proposals set out in the Centre for Social Justice’s Children in Care Working Group’s report.¹⁵³

Without support, the kinds of young people who currently qualify for social housing are likely to find it very difficult to sustain a tenancy and live successfully within a community, particularly since it is common to leave care at the age of 16 or 17 years. Many of them need help to manage their lives, live independently and behave more responsibly. The Foyer Federation has pioneered a successful model of providing accommodation with support for young people between the ages of 16 and 25. Foyers offer accommodation, support and guidance and access to training, education and employment, to help young people make the transition to independence. As a condition of their residency, Foyers require residents to make a commitment to use the facilities provided in order to move on with their lives. This condition is underpinned by the ten principles set out in the box below.

- 1 Quality assured
- 2 Holistic in a way which goes beyond education, employment and housing, into skills, resources, and other opportunities (engagement and influence)
- 3 Able to balance the legal notion of tenure with the psychological contract of engagement
- 4 Expressed as a ‘deal’ and an exchange, not an imposition
- 5 Progressive & aspirational, both to follow the transitional needs of the individual to navigate their future life, as well as supporting the aspirations of the individual to want a better and different deal beyond the one they might first negotiate when entering the service
- 6 Communal, to reflect the role of the individual as a member of a balanced community that fosters the values of interdependence, equality and inclusion
- 7 Flexible enough to navigate barriers to engagement- eg 16hr rule, housing benefit limitations, etc
- 8 Shaped and personalised by the young person, with the support of the foyer or ‘trusted adult’ service, as part of a process to develop the skills and capabilities required to define a future ‘social contract’
- 9 A balance of rights and responsibilities on both sides, with a role for families, commissioners, policy makers, employers and the local community to be part of the deal
- 10 Conditional in terms of ‘something for something’ rather than the threat of taking ‘something’ away – it’s about making a decent offer, or ‘getting the carrot right’ instead of using a stick.

153 Centre for Social Justice, *Couldn’t Care Less*, September 2008

“If there’s a lesson from Foyers, it’s that the deal between the young person and the Foyer is just that – a two-way transaction with rights and responsibilities that go both ways. The support Foyers offer is just as important as the commitment the young person makes. The quality of support is what makes the young person stick to their part of the bargain.”

Jane Slowey, Chief Executive, Foyer Federation, Letter to the Guardian, 9 February 2008: ‘Subtler approach to cutting unemployment in social housing’

We have argued in Chapter 2 for this sort of rights and responsibilities approach to be applied to all new lettings by local authorities and housing associations, backed up as necessary with the specific support that particular tenants need. It is particularly applicable in the case of young people.

Policy 5.1 The principles currently applied in Foyers should be used to determine the rights and responsibilities and support needs of young people living in council and housing association accommodation.

5.3 Reaching beyond social housing

Only a relatively small proportion of older people and those with significant disabilities live in social housing. Many vulnerable people in this group are owner occupiers, and because of the current housing allocation rules, some of the most vulnerable live in private rented homes. Local authorities are far more likely to carry out needs assessments for people living in social housing than for people in other tenures. They often view council tenants as aggregations of the most needy.

Many provide a range of support services to older and disabled people living in council housing which is often much more generous than that provided to people living in private rented accommodation or in homes that they own. We believe that it is quite wrong that housing tenure should be a significant determinant of the level of support that people receive.

5.2 The support services offered to social tenants should be made available to all older and disabled people, regardless of their tenure.

This would enable older people and disabled people to continue to live in their own homes and be provided with the necessary care and support at their home or in the local area. This model is commonly found to be preferred by older and disabled people and, subject to the availability of funding, by local authorities and private providers.

5.4 Harder to help groups: single homelessness and anti-social families

The most ‘hard to help’ or ‘reach’ group are those with multiple and severe difficulties, including substance abuse, severe mental health illness and anti-social behaviour. Some of them may be ex-offenders, or single and homeless and therefore not prioritised for housing help. Local authorities and charities play a crucial role in supporting this group and we must ensure that people with these kinds of needs are helped, even though it can be ‘hard’ to do.

Given the severity of problems experienced by this group, they can be very difficult neighbours. Consequently, we believe that they need a much more focused, multi-agency approach to support. Individual care plans are recommended, which bring together:

- the extended family
- supportive friends
- police and probation services
- children’s schools
- social services and other relevant support, including, for example, drugs teams, doctors and parenting support.

“The speed and abruptness at which people can be evicted from social housing may need to be reviewed, along with the adequacy of support networks that are provided to specific groups like single people and non-parents, who are rarely considered to be in priority need.”

Grant Shapps MP, Conservative Minister for Housing *There’s No Place Like Home: How 130,000 children will be homeless this Christmas*, December 2007.

This collaborative approach was outlined in the *Children’s Act 2004* but, it could be argued, has not been fully achieved. Proposals to deal with these issues, which we strongly endorse, are set out in much greater detail than is possible here in the Centre for Social Justice’s Early Year’s Commission’s recent report¹⁵⁴.

As the examples of good practice outlined below demonstrate, it may sometimes be appropriate to provide this group with housing in a specific block which provides intensive support, to ensure that the problems are addressed and that other households and the wider community are not unduly disturbed by the anti-social behaviour. *The Housing and Regeneration Act 2008* provides for the creation of family intervention tenancies which should help local authorities and housing

associations provide the sort of housing and support contracts necessary to tackle these challenges.

154 Centre for Social Justice, *Breakthrough Britain: The Next Generation*, September 2008

The Dundee Families Project and Family Intervention Projects

An effective approach to assisting families who are homeless, or at risk of being made homeless due to 'anti-social behaviour', was pioneered by the Dundee Families Project and later formed the basis for the Government's Family Intervention Projects. The Dundee project was funded by the NCH and run in partnership with the local council. It involved intensive and far-reaching support, where families were either admitted to a residential block and then subsequently moved to a dispersed unit, or provided with an outreach service to their existing home. The Family Intervention Projects were developed out of the Anti-Social Behaviour Strategy and draw on the success of the Dundee Families Project. The Projects have a twin-tracked approach, combining intensive support and enforcement. Each family works with a 'key-worker', whose role is to manage the family's problems, and a contract is drawn up between the key-worker and family, which outlines the changes expected, how the change is supposed to be achieved and the consequences if the tasks are not completed. Like the Dundee Project, the Family Intervention Projects may provide a core residential unit, managed units dispersed in the community or an outreach service.

Sweden has a 'secondary' housing market for households which municipal housing companies are reluctant to house. Here local authorities sub-lease individual flats and attach obligations to the non-secure tenancy, including a requirement to follow an action plan or conform to certain forms of behaviour.¹⁵⁵

5.3 Local authorities need to adopt, where appropriate, effective multi-agency approaches to meeting the needs of hard to reach groups, including taking on board the lessons of the voluntary sector. This would build on the rights and responsibility approaches that have been shown to work in other areas.

For the most disruptive families the best approach is likely to involve an approach combining the provision of intensive support in specifically designated accommodation, let to the families on family intervention tenancies, with clear enforcement rules aimed at ensuring that their behaviour improves.

155 Fitzpatrick, S and Stephens, M, *An International Review of Homelessness and Social Housing Policy*, Department for Communities and Local Government, November 2007.

CHAPTER SIX

State, Landlord and Tenant

6.1 A new concordat

The relationship between social tenants and landlords is often one of dependency. In many cases this dependency endures following successful placement in the social rented sector. This is a negative relationship for tenants and for housing professionals, many of whom are demoralized.



Group visit to Redditch co-op

In this Chapter, we propose an alternative proposition for the relationship between the landlord and the tenant, where the landlord is able to ‘differentiate the offer’, offering a choice of housing options, with specialist support for vulnerable tenants, whilst empowering tenants to fulfil their aspirations. Furthermore, the relationship between the landlord and the state would move away from a highly regulated system, to one based on social enterprise: tenants would become empowered customers

and housing organisations would have the freedom to respond more creatively to people’s needs and choices.

6.2 The current relationship between social landlords and tenants

As we described in Chapter 2, the allocation process in social rented housing is a complex game of entitlement that can be demoralising, intrusive, slow and uncertain. Despite being able to demonstrate choice in other aspects of their life, the allocation process can leave tenants feeling powerless, and can lead to costs to the family in terms of self-esteem and control of their immediate environment. In contrast, finding housing in the private sector is based on choice and involves the tenant positively demonstrating their ability to hold a tenancy.

Housing managers and officers, who are the interface between the landlord and the tenant, are a vital part of the social rented sector. However, those who gain access to social rented housing because they have been homeless or vulnerable are likely to have support needs that require more than just a roof over their head. Consequently, social sector tenants can be left feeling

frustrated and disempowered, and housing managers demoralised, in a way that does not apply in the private sector.

Consider two very different experiences of finding housing, each involving a family who has to move from their current accommodation.

The Smith family, who decide to look for a home in the private rented sector, are able to make a choice about where and how they want to live. They will use websites or the local paper to find something they like, knowing what the home looks like and the rent they will have to pay. They will contact the landlord or letting agent, and view the property, at which point they may well be competing with others who have also seen the advertisement. They will want to impress the landlord by having the deposit required, the rent in advance and references from their work or from their existing landlord. If the price and property are right the landlord agrees to let the home, takes the money, provides an assured shorthold tenancy agreement and list of fixtures and fittings, and hands over the keys.

In contrast, the Jones family decide that they want to enter the social rented sector. They go to see the housing department at the local council, where they are offered advice about how to get a home in the private sector, which would involve following a process similar to the one described for the Smiths. They may also be invited to put their name on the waiting list. This list may be several thousand names long, and they may be warned that they will have a long wait. They may insist that they need social housing now. The housing advisor will explain the allocation system: that unless they are threatened with homelessness today, have children and no means to resolve their problem then they must simply wait for a vacancy.

The Jones might give up now and move in next to the Smiths. On the other hand they may decide to persist in trying to show the housing advisor that they are in extreme need. This will need to be demonstrated. While some of the forms required may be customer friendly, other questions are more intrusive – listing all those in the household, where they lived before, their earnings and benefits and any disabilities or mental health problems – and can involve people having to emphasise their negative points, in order to increase their chances of securing a home. They will be required to prove that it is not their fault that they have to move, and that their circumstances fit the definitions of priority need set out in centrally determined homelessness and allocation rules.

If the Jones' are successful in making their initial case for social housing, they will be allocated 'temporary accommodation', with the council

“In Britain there are over five million homes owned by housing associations and local councils. They are often rented to people on low incomes, the elderly, or people with special needs. Rented housing like this needs people who will manage it and provide the services that its customers need. This is where the housing professional comes in. More than 150,000 people are employed in housing and housing management within the UK. Most of these work for local authorities and housing associations.”

Extract from *A Career in Housing: What is Housing Work*,
The Chartered Institute of Housing

determining the number of rooms appropriate for their household. They might be placed in a B&B but, more generally, they will be placed in the private rented sector. The home offered may be similar to the one the Smith family has chosen, but the Jones' home will not be one they have chosen – it will be organised for them by the housing office. There will be no deposit to pay, although the family will have to apply for housing benefit to cover the rent, which will involve completing a further highly intrusive form which runs to 40 pages, and providing more proofs of their circumstances.

After some time in the temporary home, the council's housing manager will finish assessing the family's needs and, if it is determined that the family is 'owed a duty' to be housed, the family will eventually be allocated a home in the social housing stock or, in more progressive authorities will be allowed to "bid" for a home on the system. However, the extent of their 'choice' will be restricted to the borough where they initially registered for housing.

“What if the Jones' family circumstances were to change? What if Mrs Jones were to have another baby and ask for a transfer to a better area? Given the shortage of more desirable homes, they are likely to be informed that there is nothing available.”

Following the eventual successful allocation of the Jones' out of temporary accommodation and into social rented housing, they may have been lucky enough to have gained a nice housing association flat in a converted house in an ordinary street, which may to all intents and purposes, be similar to the home chosen by the Smiths. They may, on the other hand, have been placed in a run down estate. Let us assume that they have. After the relief of having found somewhere to live, they may begin to feel dissatisfied with

their home and general environment and will start to lodge complaints about the condition of their home and the estate. Their housing manager will log their calls and make helpful suggestions. Furthermore, let us assume that their upstairs neighbours are making a lot of noise during anti-social hours. They contact their housing officer, who suggests they record how often the neighbours make a noise and how loud it is etc, on diary sheets, for use as evidence in court should the neighbours be evicted for noise nuisance. However, eviction is only for extreme cases of noise nuisance and, as the neighbours have ignored the requests of the housing manager to reduce their noise, the family is simply left having to put up with the problem. The Jones' therefore live in an increasingly difficult housing situation.

However, what if the Jones' family circumstances were to change? What if Mrs Jones were to have another baby and ask for a transfer, preferably to a better area, and if possible, to a house with a garden? Given the shortage of large, more desirable homes, they are likely to be informed that there is nothing available. Again, they could start "bidding" for the home of their choice, but again, unless they are in severe need, they will not get the "priority" required. In reality, they will have to wait many years for a move. As we mentioned in Chapter 2, the lack of mobility in the social sector is striking and, as in the Jones' case, may lead to feelings of frustration where their housing is unsuitable to their needs.

The situation of the Smiths is very different. If they pay their rent and look after their home the landlord is very likely to want them to stay. If he or she does want them to move, the recent growth in the size of the private rented sector means that they are likely to have a reasonable choice of new homes in the area that they want to live in. If on the other hand they don't like the area that they have chosen to live in, or find their neighbours are too noisy and they cannot get anything done about it, they can simply find themselves a different home to rent, in an area they prefer, and then give notice to their current landlord. Similarly, if their family grows they can decide whether to move to a larger home, perhaps in a different, cheaper area, or pay a higher rent for a larger home in their current area. They are genuine customers, with genuine choice.



As the illustration shows, housing management regularly amounts to trying to allocate limited resources as creatively as possible, while attempting to keep the tenants as happy as possible. However, the very process can make tenants feel disempowered – all their needs and desires are channelled through a landlord who is often unable to help. Furthermore, the housing manager can often end up feeling frustrated and demoralised – the needs of the tenant or customer group can be complex and long standing and can be rarely solved by a quick fix.

6.3 Housing professionals: a new relationship between the tenant and landlord

According to the *Chartered Institute of Housing*, “If you choose to work in housing, you will have the satisfaction of knowing that your contribution really matters, because everyone needs somewhere decent to live. This is why many people are attracted to housing work from other fields, as well as when starting a career. The work is not easy and often challenging, but the rewards in terms of fulfilment are high.” Great people are attracted to working in housing. However, the work is indeed “challenging”.

The challenge principally comes from the fact that, as Chapter 2 and 5 have outlined, social housing caters for a variety of households, some of whom may be able to meet their own housing needs, whilst a significant proportion are very vulnerable and have multiple support needs. Given the variety within the sector, we would therefore argue that a uniform service from social housing landlords, or a *single offer*, is not appropriate and, instead, we need a more varied menu of options for the would be social-housing tenant.

Policy 6.1 We need to differentiate the offer. Those who are able to meet their own housing needs can access services themselves, or manage their own homes, as in the private sector.

“But thinkers and politicians across the political spectrum are now trying to revive “character-talk.” (Matthew)Taylor (who was a strategy advisor to Tony Blair) is pushing the idea of “pro-social behaviour” – recognising, he says, that changes in personal behaviour are essential to successful policy in everything from climate change to obesity. David Cameron called in July for politicians to tackle issues of “public morality.” Against the backdrop of the impoverished east end of Glasgow, he insisted that politicians had to drop “moral neutrality.” He criticised the political classes for “a refusal to make judgments about what is good and bad behaviour, right and wrong.” Some people on the left are also starting to argue that character might matter as much as resources in improving life chances.”

R Reeves, *A Question of Character*, Prospect, August 2008.

Resources could then be more effectively directed towards those who need a lot more support than is currently available and housing staff could become more specialist in meeting people’s needs.

A central part of the change in the offer is the involvement and subsequent empowerment of housing professionals themselves in determining how to improve service delivery. In contrast to how housing management is currently determined, through the Audit Commissions ‘Key Lines of Enquiry’, we agree with Baroness Perry and Stephen Dorrell MP’s report on Public Service Improvement, which places a firm emphasis on the importance of engaging professionals, as well as customers, in improving public services, and critiques the “micro-management and the climate of mistrust in the citizen and professional which engendered it”¹⁵⁶

Furthermore, in addition to becoming a specialist, the role of the housing manager and other state employees could be that of an advocate for social and economic mobility and the fulfillment of aspirations. State employees would no longer assess the needs of a household, but would help to establish both the aspirations and skills of a household. Instead of disparaging those in social housing, the statement from housing professionals to our customers must be “we believe in you”. And our belief must be that everyone, with encouragement, support, education, skills and incentives, can realise their aspirations.

6.2 Housing Managers should be actively involved in the improvement of service delivery, becoming specialists in meeting people’s support needs and acting as advocates for social and economic mobility; enabling people to realise their aspirations.

156 Rt Hon Stephen Dorrell MP’s and Baroness Perry, Chairman, Public Services Improvement Policy Group, *Restoring Pride in our Public Services: Submission to the Shadow Cabinet*, 2007

The new relationship between the landlord and the tenant, based on a differentiated offer and more specialist support and encouragement, would allow tenants' needs to be more effectively met and would empower people to fulfil their aspirations. Furthermore, this new relationship would empower housing professionals themselves, who would have more say in the delivery of services and more effect in improving the lives of those in need.

6.4 The relationship between the tenant, landlord and the state: housing organisations as social enterprises

“We believe it is essential that the role played by the customers of community housing is strengthened. They could:

- trigger inspections through complaints;
- be given collective power to change the management, and ultimately the ownership of stock, to another provider – facilitated by the regulator;
- be more closely involved in shaping services and selecting service providers;
- have a national champion in the form of a consumer panel that can hold the regulator to account; and
- have a power which is the equivalent of the community calls for action requiring a public response to their expressed concerns.”

Audit Commission, *The future regulation of housing*, February 07, p4

The Audit Commission is so bound up in the concept of regulating and controlling social housing landlords that the only role it can conceive for tenants is one of holding the landlord to account (and potentially changing it for another similar landlord). Actually their response misses the point for the vast majority of tenants; they desire mobility, more variety and choice, assets, a better neighbourhood, just like everyone else. Thus bureaucratic transference of central government concerns to the customer is just another example of “top down” control.

The highly regulated relationship between the landlord and the state is based on the need to ensure that tenants receive an excellent high quality service. However, as we pointed out in Chapter 1, the private rented sector, which faces minimal regulation, state subsidy and legal restriction, is able to achieve significantly higher levels of customer satisfaction. State controlled services often fail to satisfy in the same way as privately procured and delivered services. Furthermore, instead of the tenant being the customer, as they are in the private sector, the “customer” that the landlord ends up serving tends to be the state or one of its agencies.

If the relationship between the state and the landlord was freed up from regulation and landlords were allowed to create a range of products, including different types of tenure and at different prices, it is the tenant who would benefit. Instead of tenants being allocated housing according to someone else's definition of their needs, the tenant would be allowed to use their own resources to choose what housing they want. This would work in a similar way to 'direct payments' in social services, which has resulted in older and disabled people choosing to spend their money or going to the races, the pub or on holiday instead of attending a day centre. In housing, under the system we propose in Chapter 2, people would pay the market rate for the home and services that they wanted, with support from the improved benefit system to help them meet the cost. For example, if the tenant wanted a larger home, they would choose one and pay the higher rent from their total income; if they wanted their estate cleaned daily instead of weekly they would agree to pay a higher service charge.

Direct Payments

The aim of a direct payment is to give more flexibility in how services are provided. By giving individuals money in lieu of social care services, people have greater choice and control over their lives and are able to make their own decisions about how their care is delivered.¹⁵⁷

In addition to being able to exercise choice, empowerment for tenants would derive from being able to operate as a genuine customer, one who can take their custom elsewhere. The housing organisation would be driven to improve their service by the desire to attract and retain tenants, as opposed to increased regulation. Furthermore, innovation would be ensured as landlords would work out how to produce better, more affordable options, and invest in research and development, to find out more about their tenants, their motivations and aspirations.

“A recent survey by the Engineering Employers Federation found that 80% of the manufacturers said their customers were a significant source of new ideas, while 85% of them collaborate with them on innovation.”

Financial Times, 'Customers inspire manufacturers', 27 August 2008

The “deal” between the tenant and the landlord would be clear: ‘You pay rent and I provide a housing service; you pay a deposit and I expect you to keep the home in a good condition and, if you stop paying the rent or behave badly, I

157 For more information see: http://www.dh.gov.uk/en/SocialCare/Socialcarereform/Personalisation/Directpayments/DH_080255

will evict you'. Although there is a concept of "rights and responsibilities" behind the current relationship, defined below, in practice it does not always work like that – the balance is heavily weighted in favour of rights, with the state coming down heavily on the landlord.¹⁵⁸

Your rights as a secure tenant

In general, as long as you keep to the rules of your tenancy agreement, pay your rent and are not involved in anti-social behaviour:

- you can live in your home for the rest of your life as long as you do what your tenancy agreement says
- you can buy your home at a discount
- you can pass on your home to someone in your family living with you when you die
- you can take in lodgers and sub-let part of your home
- you can get certain urgent repairs done quickly and at no cost to you
- you can carry out improvements to your home
- you can be reimbursed for certain improvements you have made if you move home
- you can help to manage your estate
- you can exchange your property for another one
- you must be consulted on housing management matters
- you must be given information about how your council runs the homes it owns.

Your responsibilities as a secure tenant

- you must keep to the rules in your tenancy agreement
- you must pay your rent
- you must be a good neighbour and not annoy other tenants. Anti-social behaviour is taken very seriously and may result in the loss of your tenancy.

Under the system that we propose, housing organisations, run as social enterprises, would be much more able to provide what people want at a price they can afford. The market is efficient at providing low cost products and services for people on low incomes, or indeed for people who choose to buy low cost products. As we outline in Chapter 3, it is quite possible for landlords to produce cheap, basic housing and still offer choice, style and quality. Instead of rents being fixed by the Secretary of State, they would be adjusted according to supply and demand.

Housing associations are potentially much more flexible and innovative than local authorities. Over time, however, they have been recruited as adjuncts to the Council – all their vacancies are spoken for and their rents and tenure are specified. This has had unfortunate consequences for organisations

¹⁵⁸ DCLG, *Your Rights as a Council Tenant*, reprinted March 2007

that are a hybrid between the private and public sectors. The advantages of commercial considerations are undermined by far too much state control and intervention. Rather than making housing associations more like the public sector, we should be trying to make Council housing more like a not for profit, but commercially driven, housing association. The Netherlands provides a good example of this sort of approach.

Dutch Housing Associations

The Netherlands has the largest proportion of social rented housing in Europe, currently at 35% of the total housing stock, of which the majority is owned by housing associations,¹⁵⁹ and benefits from a social rented sector which does not suffer the same level of stigmatisation as found in the UK.¹⁶⁰

In 1995, the Dutch housing associations became financially independent through the government's 'grossing and balancing operation', where all outstanding loans were written off and supply-side subsidies for social rented housing were abolished.

Housing associations have since found themselves in a strong financial position and have consequently been able to broaden their range of activities in neighbourhoods.

Housing associations in the Netherlands can deliver housing to a variety of clients, ranging from homeless households to students and higher income groups. They are also able to provide key neighbourhood facilities including schools, shops community centres, thereby ensuring the long-term success of neighbourhoods.

Whilst this wide role of housing associations can sometimes seem like a 'heavy responsibility', it is also argued that the deregulated and decentralised nature of social housing in the Netherlands has allowed housing associations to focus their activities on the local level and to respond more effectively to local needs.⁶¹

6.3 Housing organisations should be run as social enterprises. Tenants would have a range of housing solutions from which to choose and would be able to act as customers, able to take their custom elsewhere. The housing organisation would be able to respond to demand and develop new innovative products that meet people's needs.

159 Elsinga, M and Wassenberg, F, Social Housing in the Netherlands in Whitehead, C and Scanlon, K (Eds) *Social Housing in Europe*, London: London School of Economics and Political Science, 2007

160 Cameron, S, Gentrification, Housing Re-differentiation and Urban Regeneration: 'Going for Growth' in Newcastle Upon Tyne, *Urban Studies*, Vol. 40, No. 12, 2003, pp. 2367 – 2382

161 Priemus, H, Regeneration of Dutch Post-war Urban Districts: the role of housing associations in *Journal of Housing and the Built Environment*, Vol. 21, 2006, pp. 365-375.

CHAPTER SEVEN

The Policy Proposals

Chapter 1: An affordability crisis

INCREASING HOUSING SUPPLY

There is a shortage of housing of all kinds in the UK, especially in the areas where people want to live. To tackle this we recommend the following:

Policy 1.1

Our proposals delineating the relationship between communities and local development are outlined in Chapter 3. In order to deliver these there needs to be:

- much greater local flexibility in the development system
- significant moves to give local communities greater control over the number and type of new homes to be built in their areas.

1.2 We must secure the quick release of surplus public sector land for new housing development, and to speed up the planning permission process.

1.3 Government should work with local communities to find opportunities to create a greater quantity of housing, especially for first time buyers and people on low incomes.

1.4 We must ensure, in so far as it is possible, that the Community Infrastructure Levy does not harm the housing supply. Public investments needed alongside major housing developments must be secured in a timely fashion, and the system for securing other developer contributions towards the cost of public investments must be clear and reflect local conditions.

We welcome the increase in resources for housing that the Government provided in the last comprehensive spending review. Decisions on how those resources are used must be taken locally:

- for the reasons set out in Chapter 2 we do not believe that the Government should set national targets for the number of social homes to be built, nor for the proportion of these which should be for social rent or low cost home ownership
- councils should be free to decide how those resources are deployed in their areas, balancing the needs to improve existing council homes, build new ones, and work with the private and not for profit sectors to provide a range of lower cost housing options for local residents.

Among the factors that councils will want to take into account in deciding the balance they strike, is the benefits of securing higher levels of investment by using public expenditure to lever private investment.

HOME OWNERSHIP REFORMS

Home ownership is the aspiration of most people and the Government should support and encourage this aspiration, except where it would be unsustainable. The measures we propose to deal with supply shortages should help with this. They need to be accompanied by measures to deal with the short term problems caused by the credit crunch, including measures to re-open the mortgage markets without re-inflating the housing price bubble.

1.5 The courts and the Financial Services Authority must ensure that all lenders whose loans are secured against peoples' homes take all possible steps to help borrowers who get into difficulties, before they seek possession of their homes. These steps should include:

- providing access to impartial advice on the options open to home owners who are finding mortgage repayments unaffordable, and
- allowing borrowers to negotiate new loan agreements.

1.6 We support the introduction of mortgage rescue schemes as quickly as possible. These schemes have cost implications for housing associations, for which they would need Government support. These costs need to be regulated; they will undoubtedly be mitigated by savings made in new housing benefit claims by evicted households, and savings made in not having to provide these households with social housing.

1.7 We support the Office of Fair Trading's recommendations on the regulation of sale and rent back schemes, and urge the Government to implement them without delay.

1.8 The Government should monitor closely the impact of its credit crunch package on the availability of mortgage finance, and continue to consider whether further measures are required. These may need to include further measures to regulate lending practices, to avoid over-borrowing and over-lending which could create a new house price bubble.

1.9 The Government should ensure that the Rent to HomeBuy pilots are launched as soon as possible, and consider other ways in which would-be first time buyers might be helped to build up the deposits they need.

INCREASING SHARED OWNERSHIP

While most people aspire to full home ownership, this is too expensive for some would-be first time buyers. Shared ownership is a good way of helping such people get onto the home ownership ladder.

1.10 Continued Government support for low cost home ownership (LCHO) is essential. This requires:

- further exploration of ways of securing private sector investment in shared equity
- better information to help potential purchasers understand what is available, and to encourage financial institutions to provide more suitable mortgage products.

To avoid repossessions wherever possible we recommend that all LCHO providers should include provision for purchasers to reduce their equity stake in appropriate circumstances.

INCREASING THE SUPPLY OF PRIVATE RENTED HOMES

The private rented sector has a vital role to play in meeting the needs of those who would once have assumed they could get social housing but now find it is unavailable and those who cannot afford to buy a home of their own, or whose current circumstances mean that renting privately is the most sensible choice. The sector needs to continue to adapt to meet these needs. Professional, long term landlords (institutional rather than individual investors) should be given greater encouragement by the government. Housing associations, private companies, charitable trusts, pension funds, building societies are all potential partners in expanding this product.

1.11 We need to professionalise the private rented sector and make it a credible choice for investors. We recommend that professional, long term landlords (institutional rather than individual investors) should be given greater encouragement by the Government. Tax breaks or other forms of support should be considered in order to increase the market share of this sector. Housing associations, private companies, charitable trusts, pension funds, building societies are all potential partners in expanding this product.

1.12 More needs to be done to enable tenants to identify good landlords, for example through the encouragement of voluntary accreditation schemes, ensuring that any system that is introduced does not endanger the continued expansion of the sector.

BRINGING EMPTY HOMES BACK INTO USE

There are over three quarters of a million empty homes in England, many of which have been empty for over six months. Bringing as many of these as possible back into use would make a major contribution to reducing housing shortages.

1.13 We recommend that:

- all local authorities strengthen their efforts to bring empty homes back into use, building on examples such as the Kent and London initiatives
- the Government reduces the rate of VAT on home renovations and repairs as far as possible, to remove the imbalance between the treatment of this and new house building, and the disincentive to renovation of empty homes.

TACKLING UNDER-OCCUPATION AND SOCIAL BREAKDOWN

Many social homes are under-occupied, often because parents continue to live in large family homes after their children have left. Whilst we do not favour forcing such families to move, more could be done to provide incentives and help for people who want to move to more suitable accommodation or are willing to do so. Freeing up family homes in this way would help tackle overcrowding problems.

1.14 We recommend the building of more family-sized homes:

- family homes must make up a greater proportion of the new affordable housing that is built
- councils must ensure that this need is reflected in their plans and the development projects and programmes they support, rather than central Government's national targets
- councils should give greater emphasis to the role that tackling under-occupation can play in reducing overcrowding in social housing in their areas
- the Government should fund further demonstration projects to help authorities develop effective policies and programmes in this area. For instance charging a higher rent for households with larger homes, to create an incentive to down-size

- councils and housing associations should also be free to sell off a number of bed-sit or one bedroom homes and reinvest the proceeds in larger homes
- consideration should be given to letting larger homes for shorter terms, so that a new family can benefit once the children leave home.

Chapter 2: Ending the sorting effect

Major reforms to the current social housing systems are needed to enable councils to meet the housing needs of the twenty first century and to tackle the legacy of problem estates resulting from past policy failures. A significant part of this is setting councils free from centrally controlled bureaucratic systems designed to ration a scarce resource rather than help ensure that support for people in need enables them to build successful lives.

HOUSING ALLOCATION REFORMS

Policy 2.1

We believe the law should be changed so that local authorities are free to use new social housing, and existing social housing as it becomes vacant, as they see fit.

2.2 Councils should be granted the power to sell homes where they so wish, either outright or on shared ownership terms, for example to create more mixed communities or to generate receipts. They should fully retain the receipts, for investment in housing improvement, new social housing in other parts of their area, or other social projects as they judge necessary.

2.3 We recommend that economic analysis be commissioned into the rewarding of constructive behaviour in the community, including, but not limited to, a genuine effort on the part of a social housing tenant to find work, by giving social housing tenants increasingly larger equity stakes in the home.

2.4 Councils and housing associations should ensure that their housing management systems incentivise and reward good behaviour by tenants. The Government should consider what legislative changes are needed to help achieve this.

2.5 Councils should be free to offer right to buy discounts of up to 30% of the market price, and housing associations should be free to offer similar levels of discount for right-to-acquire and social HomeBuy purchases.

HOMELESSNESS REFORMS

2.6 The current homelessness obligation must be changed so that authorities are required to assess the housing and other social needs of people who present as homeless, focusing on the underlying causes of their homelessness. Their emphasis must be to agree an appropriate package of support to meet those needs in a holistic way.

TENURE REFORMS

2.7 We propose that the law should be changed so that councils and housing associations are free to let social homes on whatever terms they judge most appropriate to meet the particular needs of incoming tenants.

SOCIAL HOUSING ASSET MANAGEMENT

2.8 We believe that both local authorities and housing associations should be encouraged to produce asset management strategies which would ensure that they maximise the value that they secure from those assets, and dispose of homes which were not economic to repair, in the wrong areas or the wrong unit types.

HOUSING FINANCE REFORM

2.9 We endorse the conclusion of the LGA's position paper for the Housing Finance Subsidy review, which advocates a locally based finance system with genuine community engagement in the allocation of resources with appropriate controls at the national level to protect public finances.

TRANSFORMING FAILING ESTATES

2.10 We believe that the holistic, community led approach set out in the Government's 2001 *Neighbourhood Renewal Strategy*, combined with initiatives to secure a greater mix of incomes and tenure, was a promising approach. The approach needs to lever in private sector investment in homes for sale alongside public investment in social rented homes and in improving the local environment, community safety and public services, and programmes aimed at tackling economic inactivity and building enterprise.

2.11 We must secure a wider mix of tenures, and through this incomes, on failing social housing estates. Wherever possible this should be achieved by using the surplus land often found on such estates for market housing, accompanied by open market sales of existing social housing. In high demand areas the receipts should be reinvested in social housing elsewhere to avoid a net loss.

Chapter 3: Towards new communities

Our vision for the development of new communities involves developers, local people and their elected representatives, and the long term managers, working together to plan for social benefit, free from unnecessary centrally imposed targets and policies. The whole question of how the newly constructed community would be able to sustain itself over the long term needs to be considered from day one. We need to create communities where enterprise, work, self-sufficiency, social mobility and mutual support are built in at the outset.

In such new communities the objective would always be to help people to help themselves and for the better off to help those who need help. Artificial and fixed distinctions between different homes would be avoided. Developments would be tenure blind and built to the highest possible standards. Local management could be delivered by a private or charitable managing agent, with the local authority setting the objectives and monitoring outcomes. The landlord/ managing agent would be taxed on profits if these were not reinvested in the community.



DELIVERING SOCIALLY MIXED COMMUNITIES: FLEXIBLE HOUSING FOR ALL

Policy 3.1

We recommend that the requirement that a proportion of new homes are built as “affordable homes” in perpetuity is removed. The homes offered to people requiring financial support with their rent should not be distinguished by design or location and the tenure should be flexible enough to change as the household’s circumstances changed.

3.2 We recommend that developers who gain planning consent should be charged a tariff for the number of homes constructed. Together with the surplus from homes rented to people in need (referred by the local authority) this would create an income stream to pay for local community workers, employment and training schemes, and so on. Consequently the new communities will ensure better outcomes for all with the maximum social benefit.

BUILDING INTEGRATED NEW COMMUNITIES IN AREAS OF STRENGTH

Most new building should take place in existing settlements, with existing residents encouraged to support growth through an approach that rewards them. Where larger developments are needed, they should be built in areas of existing strength (where there is work, industry, community, history and infrastructure), gathering the new community into the existing community, rather than isolating it. This can be achieved by increasing the density of development in existing areas, expanding upwards, or by encouraging existing areas to expand outwards, as an urban extension.

3.3 We need to ensure the effective delivery of management services so as to allow all members of the community to take an active role in maintaining a good environment.

COLLABORATIVE WORKING, HARNESSING BEST PRACTICE

3.4 The Government must strengthen its efforts to work with the Prince's Foundation for the Built Environment, CABE, universities, developers, housing associations, local councillors, voluntary sector groups and residents, to disseminate best practice and produce guidelines so it can then can be replicated.

Chapter 4: Independence, enterprise and social housing

Getting people from welfare into work is the most important thing Government could do in order to promote social mobility and reduce dependency. If a welfare to work approach is to work, then the Government must be certain that all citizens will be noticeably better off when working than they are when unemployed. Housing benefit and other welfare systems need to be reformed to ensure that people on low incomes have sufficient extra resources (while they need them) to purchase housing within the area that meets their needs. They should be free to choose the form of housing and its location. Ideally this would not be a "housing benefit" but an undifferentiated subsidy that they could spend as they choose. People choosing not to spend it on housing would be at risk of losing their home. A condition of receipt of the subsidy would be the participation of economically inactive working age household members in programmes to help them into work, unless they were genuinely unable to do so.

Detailed proposals on housing benefit reform will be set out in the Centre for Social Justice Economic Dependency Commission's forthcoming report, alongside wider welfare reform proposals.

WELFARE REFORMS

Policy 4.1

Getting people from welfare into work should be a first principle of government, and the drive to encourage social and economic mobility should be the key focus of all agencies working with the poor and families in need.

4.2 The Government must reform and improve the economic incentives to get a job, including the costs of travelling and childcare.

HOUSING ASSOCIATIONS' ACTIONS ON WORKLESSNESS

4.3 Urgent action is needed to reduce the barriers to greater housing association and council activity on tackling worklessness among their tenants. This must include securing access to sustainable funding from the Government's existing employment and training programmes.

4.4 The new *Homes and Communities Agency* and *Tenant Services Authority* must ensure that their policies, programmes and approaches encourage social housing providers to tackle the high levels of worklessness among their tenants, embedding this into their core business, and rewarding success.

COMMITMENT CONTRACTS

4.5 There should be a requirement that new working age tenants – in particular the half of new tenants who are under 35 – and their landlords sign commitment contracts under which the tenant agrees actively to seek work and the landlord agrees to provide or access support such as training or childcare to help them do so. This would operate alongside the new, locally determined, tenure system that we propose in chapter 2.

PROMOTING ENTERPRISE AMONG SOCIAL TENANTS.

4.6 Greater efforts are needed to help economically inactive social housing tenants who want to be self-employed and build their own businesses, with unnecessary restrictions on tenants using their homes for business removed.

Chapter 5: The young, the old, and the hard to help

Many people living in social housing are vulnerable and require carefully tailored support to meet their individual needs. For young people this should be aimed

at helping them overcome whatever led them into a position where they qualified for social housing, so that they can secure employment and move on. For older and disabled people the aim should be to give them as much choice as possible in the support received. For hard to reach groups, like the single homeless and anti-social families, it is particularly important that the support provides strong measures, both sticks and carrots, to change behaviours.

There is also an issue of equity between vulnerable people living in different housing tenures. In general vulnerable people living in social housing receive much more support than equally vulnerable people who own their own homes or rent privately. We believe that support services should be delivered to people in all forms of housing tenure on the same basis.

THE YOUNG

Policy 5.1

We believe that the principles currently applied in Foyers should be used to determine the rights and responsibilities and support needs of young people living in council and housing association accommodation.

REACHING BEYOND SOCIAL HOUSING

5.2 The support services offered to social tenants should be made available to all older and disabled people, regardless of their tenure.

HARDER TO HELP GROUPS: SINGLE HOMELESSNESS AND ANTI-SOCIAL FAMILIES

5.3 Local authorities need to adopt, where appropriate, effective multi-agency approaches to meeting the needs of hard to reach groups, including taking on board the lessons of the voluntary sector. This would build on the rights and responsibility approaches that have been shown to work in other areas.

Chapter 6: State, landlord and tenant

HOUSING PROFESSIONALS: A NEW RELATIONSHIP BETWEEN THE TENANT AND LANDLORD

Policy 6.1

We need to differentiate the offer. Those who are able to meet their own housing needs could access services themselves, or manage their own homes, as in the private sector.

Resources could then be more effectively directed towards those who need a lot more support than is currently available, and housing staff could become more specialist in meeting peoples needs.

6.2 Housing Managers should be actively involved in the improvement of service delivery, becoming specialists in meeting people's support needs and acting as advocates for social and economic mobility, enabling people to realise their aspirations.

THE RELATIONSHIP BETWEEN THE TENANT, LANDLORD AND THE STATE: HOUSING ORGANISATIONS AS SOCIAL ENTERPRISES

6.3 Housing organisations should be run as social enterprises. Tenants would have a range of housing solutions from which to choose, and would be able to act as customers, able to take their custom elsewhere. The housing organisation would be able to respond to demand and develop new innovative products that meet people's needs.

Appendix

Notting Hill Housing's Home Options Service

As an example of the ways in which some social landlords are now offering a wider menu of options, Notting Hill Housing has piloted a variety of options for social housing tenants and low income households in their area. These are marketed through their "Home Options" service, a one-to-one advice and information service that links the current financial position of customers to realistic housing options. It also offers advice on money matters and management and assistance from the beginning to the end of the home-buying process.

The options offered include:

Rent Plus (12 month pilot scheme begun in April 2006 for 100 tenants)

The aim of this programme is to encourage social housing tenants to save, possibly with the ultimate goal of home ownership, and to promote financial inclusion. Tenants who participate in Rent Plus must pay their weekly rent in full and an additional amount of at least £10 per week by direct debit. Tenants who keep up the payments for a whole year get a bonus of three weeks' additional payment and if they keep their home in a good condition and do not call on the repairs service they get a £300 bonus. If a tenant chooses to put their money towards buying a home, for example through Social HomeBuy, then Notting Hill Housing gives them a further 10% bonus.

Social HomeBuy

This allows tenants to purchase shares of 25% or more of the equity in the property where they live with an initial discount.

10% Shares (pilot scheme offered on 10 homes in East and West London)

The aim of this programme is to give access to the property ladder for low income households and encourage an attitude towards investing. In the pilot, those participating purchase 10% of their home and pay rent on the remaining 90% of unsold equity. These rent payments rise by a pre-determined amount each year and the homes are sold on a 125 year lease. This scheme is open to anyone, although applicants are prioritised based on current tenure, job and income.

Notting Hill Living – Market renting

Notting Hill Housing are now providing non-grant funded homes at market rents. This scheme offers a greater degree of security and better quality housing and management than many private landlords and offers tenants the option to buy a share in their home at a later date. Rents are around £255 per week for a two bedroom, two bathroom flat and the flats are let on a 12 month renewable lease.

Affordable City Living

This is a new range of apartments aimed at the ‘intermediate market’ - people who are priced out of the housing market but are unlikely to be able to secure social housing. The apartments will be sold at a discount market value starting at £100,000 for a studio and £130,000 for a 1-bed apartment, with Notting Hill Housing retaining a stake in the property. For properties built on land invested by the public sector at no cost, the sale value will be discounted to a price which covers the build costs, on-costs and profit margin.

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