The Changing Role of Social Housing in the UK

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Historically

- Social housing provided by local authorities to 1980s
- Social housing up to half of new construction until 1970s
- At maximum over 30% of total stock
- Funded by public loans plus local contributions
- Rents set to cover annual outgoings
- Lifetime security
- Mainly points system allocation
Big Structural Changes

- Early 1970s: introduction of income related housing assistance
- 1970s/1980s: rent increases based on deemed rents and costs
- 1977 Homeless Persons Act: giving responsibility to local authorities to accommodate families and vulnerable households in adequate accommodation
- 1980 Act: Right to Buy – sales to sitting tenants at discounted prices
- 1988 Act: shift to capital grants to Housing Associations (HAs) plus capacity to raise funds on private market to enable new investment
- Also transfer of local authority stock to management buyout Housing Associations
Underlying Principles

• Increasing choice and realise assets through transfer to home ownership
• Partial shift away from supply(rent) subsides to income related demand subsidies to target assistance
• Recycling past subsidies (and the benefits of inflation) by using social housing assets and increasing rents to borrow to build
• Up front capital grants to stabilise government commitment and increase incentives to efficiency
• Allocations concentrated on the most vulnerable – but also through Right to Buy generating more mixed income localities
• Note: no formal change in security – but probationary contracts and tougher enforcement
## The Shifting Tenure Pattern

### Table 1: Changes in Tenure Structure (UK)

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Owner-occupied</td>
<td>51</td>
<td>56</td>
<td>66</td>
<td>69</td>
<td>69</td>
<td>65</td>
</tr>
<tr>
<td>Private Rented</td>
<td>19</td>
<td>11</td>
<td>9</td>
<td>10</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>Housing Associations</td>
<td>--</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>31</td>
<td>30</td>
<td>21</td>
<td>15</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Total (m)</td>
<td>19</td>
<td>21</td>
<td>23</td>
<td>25</td>
<td>26</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: DCLG live tables 101
## Who Lives in Social Housing

### Table 2: Demographic of Economic Characteristics 2010-11

<table>
<thead>
<tr>
<th></th>
<th>Social Tenants</th>
<th>Private Tenants</th>
<th>All Tenures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25-34</td>
<td>4</td>
<td>36</td>
<td>15</td>
</tr>
<tr>
<td>65 plus</td>
<td>29</td>
<td>8</td>
<td>26</td>
</tr>
<tr>
<td><strong>Economic Status</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working</td>
<td>32</td>
<td>69</td>
<td>59</td>
</tr>
<tr>
<td>Unemployed</td>
<td>10</td>
<td>6</td>
<td>34</td>
</tr>
<tr>
<td>Non-Participate (excluding if in education)</td>
<td>27</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td><strong>Ethnicity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All minorities</td>
<td>16</td>
<td>18</td>
<td>10</td>
</tr>
<tr>
<td><strong>Household Type</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Couple with dependents</td>
<td>15</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>Loan parents with dependents</td>
<td>17</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>One pension under 60</td>
<td>19</td>
<td>23</td>
<td>14</td>
</tr>
<tr>
<td><strong>Household Size</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One</td>
<td>43</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Two</td>
<td>24</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Four Pus</td>
<td>18</td>
<td>19</td>
<td>20</td>
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<tr>
<td><strong>Total</strong></td>
<td>17</td>
<td>14</td>
<td>100</td>
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Source: English Housing Survey, full household sample
Other roles for social landlords

• Providing intermediate housing through shared ownership (part own/part rent from HA plus right to staircase to 100%) and intermediate rent – mainly for key workers – also helps HA cash flows when market ok
• Financial advice, support into work and some social support for tenants
• Choice based lettings based on local authority wide bids
• HAs as place makers through role in neighbourhoods and in s106 sites
The Coalition’s Policies: continuing trends or new approach?

• Social housing is to be seen as a tenure for those in housing need – and ideally only when in need;

• No targets for tenure – but aim to rely on market where cost effective because greater flexibility, higher mobility and choice

• Concern about the unfair divide between those in and out of social housing – leading to greater emphasis on demand side subsidies and concentrating help when needed
The Coalition’s Policies

• The Affordable Rents regime - rents up to 80% of market housing for new developments and some relets
• Allows greater borrowing: new development programme 170,000 to 2015
• Lower grants – to be phased out in 2015? – but guarantees for some HA finance
• Revised funding regime for local authorities
• Regulatory change to allow shorter contracts – so security may be limited
Figure 1: Average social rents as proportion of average private rents

Source: RSR 2010-11 and VOA 2011
The Role of Housing Benefit

• The HB bill is currently running at up to £24bn more than double the early 2000s – increases mainly in the private rented sector
• Some two thirds of all social tenants receive housing benefit but numbers fairly stable
• The government’s aim is to reduce longer term expenditure on housing benefit even though rents rising in both social and private rented sectors and employment conditions worsening
• But social tenants mainly protected
The Main Elements of Change in the Social Sector

• Technically may still pay all the rent BUT
• The bedroom ‘tax’ for under-occupiers
• The welfare cap – limits welfare payments of all types to around £500 per week - roughly the average income – impacts on high cost areas and larger families
• Removal of rent direct – so households must pay from their benefits themselves
• Pensioner households exempt
Moving Forward

- Widening the range of products - different levels of assistance for different groups
- Merging the rented sectors – private registered providers; HAs as private landlords
- Putting pressure on HAs to become more efficient and maybe more holistic
- Looking to the sector to become self-financing
- Are demand side subsidies more efficient? More cost effective?
Relevance to European Models?

- Impact of the financial crisis and austerity – tensions between supporting development and cutting public expenditure
- A self-sufficient sector - Are we following the Netherlands? or Sweden?
- Shift towards demand side subsidies will continue – but there will probably be some return to subsidising supply – eg through land (political and economic cycles)
- Increasing role for rented housing – owner-occupation at EU average and falling
- Will we recognise the social sector in 10 years time? Almost certainly. Will it be smaller in proportionate terms? Yes. In numbers terms? Probably not – but will be made up of a wider range of providers - and greater integration between rented sectors.