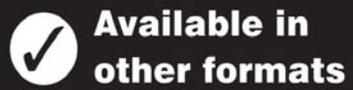


Better futures for social housing in England



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Better futures for social housing in England

Looking forward, aiming higher ¹

Professor Duncan Maclennan CBE FRSE ²

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Contents

1. Onwards and upwards	6
2. The social rented sector: what do we mean?	11
3. The changed roles and patterns of social renting	15
4. Under new ownership?	25
5. Supporting social housing investment: the wider context	33
6. Connecting social housing	37
<i>Notes</i>	44
<i>References</i>	48

1. Onwards and upwards?

In the middle of 2006 Ruth Kelly, the Secretary of State for Communities and Local Government, in promoting her department's new discussion paper³, declared that she believed Britain to be on the verge of a golden age in housing policies.⁴ That assessment is likely to be an exaggeration, perhaps born of an optimism for purposive change.

The present government is undoubtedly 'pro-housing'. It has been active and innovative in many aspects of housing policy and has recognised the real significance of good housing outcomes in facilitating neighbourhood renewal, poverty reduction and wider economic progress. Government expenditures on housing investment policies have risen in recent years. However, annual output of housing for low income households in England still lies well below the performance of the mid-1990s while homelessness, housing needs and investment requirements remain resolutely high. John Hills (2007) was right to emphasise that there is no deepening crisis in housing provision in England: but there are still too many places that people only want to leave and too many young lives that are blighted by inadequate homes and neighbourhoods. The government can reasonably claim, in this area of policy, 'a lot done, a lot still to do' but the golden age is still a serious number of leaden steps ahead.⁵

New thinking can help move policy forward. Ruth Kelly, emphasising the need for strategic reflection and debate, then announced that John Hills would review the future role of social housing in England. That review is now published (Hills, 2007).

The JRF commissioned an earlier version of this paper to support the Hills' Review. On the publication of the review, the Foundation decided to publish this revised draft for three reasons. First, there is much in this paper that concurs with Hills' position. Secondly, both Ruth Kelly and John Hills make clear that they do not consider the debate on the future of social housing now closed and a key aim here is to expand and intensify debate on selected aspects of change, particularly the economics of the housing management industries. Finally, there are important aspects of 'strategic' government policy for the sector that are subjected to stronger criticism here than in the review. This paper is for reinforcement, debate – and disagreement too.

Hills' purpose, questions, terms

The terms of reference for the Hills' Review (Hills, 2007) embody a government understanding of housing issues that lobbyists in other countries would yearn to hear from their own governments. 'Housing is central to the quality of life in our communities, to fulfilling people's aspirations, to the economy and to the environment.' Given recent progress the Secretary of State wants to 'step back and ask what role social housing can play in 21st century housing policy'.

The main questions posed in the review are:

1. Is social housing the most appropriate response for all those presented as in housing need? Who should social housing be for?
2. To what extent should social housing contribute to other objectives while also continuing to play a vital role in responding to need? Other possible objectives include:
 - helping create genuinely mixed communities
 - encouraging social mobility and other opportunities, including in the labour market, for people to get on in their lives;
 - being more responsive to changing needs and enabling greater geographical mobility.

This very general brief has allowed Hill's conclusions to be both forward looking and also address fundamental issues about roles in housing policy. The brief had no strong *ex ante* ideological steer, neither about the problem perceptions involved nor about the means to their resolution. This emphasis, reflected in the published review, was important because the debates and processes of the review, for instance on the Chartered Institute of Housing website, make all too clear that while many housing practitioners have an appetite for strategic change there is clearly still a major problem of culture change within the UK housing sector. Much time and effort in UK housing debate is spent defending systems, roles and approaches that have manifestly failed.⁶ These locally diverse attitudes are important because high level policy change, and more new initiatives and resources will not in themselves change social housing outcomes. Local strategies, systems and practice have to change and it is argued below that local system redesign and integration should lie at the heart of the next major phase of change for the social sector of UK housing. specific policy

John Hills interpreted his role as providing background and analytical support to Ruth Kelly and, in consequence, to assess directions for

travel rather than make specific policy specific policy measures. It is argued below that it is critical to see the main recommendations of the Hills' Review not as a menu of patch-up solutions but as the development of principles and selected sets of measures to promote system change. This paper, in the language of the Hills' Review, goes further down more specific roads to travel.

The Hills' Review dispenses effectively with arguments for social rented sector (SRS) demise and unreasoned sector downsizing. In recent years major Labour-oriented think tanks have, in turn, critiqued first council housing (Regan and Patrick, 2001), characterising it as being a problem as much as a solution, and then social housing as a whole (Dwelly and Cowans, 2006), arguing that the sector has outlived its usefulness. These policy sallies served the useful purpose of emphasising (IPPR) that some council housing systems can hold back their tenants and that (Smith Institute) relentless real house price appreciation will always shift the wealth distribution against those who do not yet hold housing assets. But these are rightly recognised by Hills as problems to be solved rather than 'systems' ended. The Hills' Review and this paper are in strong agreement about the future need for a social housing sector in England.

Focusing on organisations, not tenures

The Hills' Review, in stressing the variety of local outcomes and change possibilities, has helped to fashion new ways to speak about the issues involved. Present debates are often imprecise and the assessment of futures should not over-generalise possibilities for the SRS on the basis of limited analysis of selected outcomes of aggregated characterisations of the present system. In choosing future SRS roles and systems it is essential to have a more nuanced understanding of what the sector achieves, over time, for people and places. And in making that assessment it becomes essential to establish the features of the housing system that lead to better or worse outcomes for the people housed.

This point is made because over the last 30 years the interaction of UK housing policies with rising incomes and strong home ownership preferences have left the SRS as the home for the nation's poor. The SRS can too easily be always labelled as a poverty 'cause' and policy failure when it is, sometimes, merely where the poverty outcomes of other influences come to rest. Some estates do trap some people but there are many people in the UK who live better lives because there is a non-market sector of housing providers to lead the provision of decent homes and neighbourhoods.

Debates about the future roles of the SRS need to revolve around the question of which housing arrangements will best serve the long term interests of the nation's poor. A core aim should be to help them in their individual and collective social mobilities, so that the sector should be designed not simply to house the poor but to facilitate their progress from poverty.⁷ This emphasis should not preclude the possibility of not-for-profits and others providing homes (at appropriate prices) for non-poor tenants and poorer and middle income owners. That diversity of tenure and household type and income may be a strength in mixing communities and in shaping opportunities for households as they move out of poverty (without perhaps having to move out of their homes), see Maclennan (2006).⁸

The forward view needs to recognise the potential dynamic for households and places and the importance of flexibility in asset uses. It needs to be realistic too about the cost of decent housing and how market and non-market systems operate. A major cause of over-simplistic policy proposals is the tendency to associate outcomes with forms of legal ownership (council, association, stock transfer registered social landlords [RSL], cooperative, charitable etc). Research, from the Maclennan report of 1989 onwards⁹, has consistently drawn attention to the variety of outcomes (costs, rents and performance) within the SRS, indeed within any 'legal' segment of the SRS. Diversity within provider tenure groups is, rather, the hallmark of the sector. Arguably, the Hills' Review says relatively little about the organisational and system requirements to produce more diverse and effective organisations within the social sector and did not push on far enough from 'tenure' issues into organisational economics.

The legal status of ownership may not be a very helpful basis for examining or reforming the system. For instance, landlord performance is likely to be more related to stock size, internal operational structure and the propensity to buy inputs in contestable markets. There is an imperative to see the systems for providing housing and related services not as a set of legal entities or political categories but as more or less well organised firms (public and non-profit) functioning within an industry meeting consumer service needs and demands. We need to understand more about who does what for whom and at what cost. This paper tries to adopt this approach and to see the SRS not as legal blocks of tenure but as sets of diverse, non-market housing providers that are more and less successful.¹⁰ That view, arguably, helps an understanding of why the sector has a future and the structures and systems required to make it effective.

If the review is to be concerned about how best to provide housing that shapes shelter, renewal, social mobility and other outcomes then it needs, as indicated above, to consider which forms of organisations will most effectively meet these requirements. It should not matter a priori whether ownership of these entities is social or not; the key issues should be whether they can effectively deliver the chosen policy objectives. Further, simplistic public/private descriptors of organisations usually fail to comprehend that 'firms' are seldom purely social or private in their modes of operation.

Organisations are often mixed in the set of instruments they use both to produce goods and allocate them to the public. An organisation may operate by buying inputs on a recurrent basis or they may make longer term contracts and 'employ' resources. In the development of UK public housing, for example, until the early 1980s it was not untypical for council architects to design properties, for municipal direct works to build and maintain what was developed, for all of that to be financed with municipal borrowing, and then for council employees to let the properties at below market rents. This was not simply municipal ownership but also municipal production, financing and management: a hierarchy of bureaucratic control of what was produced and how, and indeed for whom.

Even quite small community based associations may try to define their 'socialness' by building in a hierarchy – of acquisition, design, development and full management functions and employee relations. They may, in consequence, stay purely social in name but they are likely to squander social resources by losing scale economies. The government has recognised this issue in relation to grants for association development (social housing grants) but has been less direct and decisive in relation to equivalent issues in the costs of management.

In contrast, in some social housing systems, with full social or community ownership of assets, the owning body will employ few people. They may only employ one person to serve the management committee and buy in repairs and other services when needed (see for instance the Danish system; this approach also prevails in some Australian and Canadian providers).¹¹

The key organisational questions for the SRS are not solely about the scale and diversity of provision but about the balance between market and hierarchy arrangements that need to be put in place to deliver effective housing outcomes. Whilst UK housing academics have toyed with these ideas for almost two decades, and they have had salience in

other areas of policy development such as health and education, they have not significantly permeated the way housing providers and policymakers think. System design has not been at the centre of policy making for non-market housing. There has been no search for the points of contestability that would promote more effective and efficient provision of non-market housing provision to meet social objectives. This is a route that John Hills noted but did not explore to any extent. In contrast the core contention of this paper is that effective organizations and local housing systems will be key to a better future for social housing.

There needs to be a new clarity about:

- how we describe and critique or champion social housing providers;
- the importance of system design;
- beneficial mixes of market and non-market means to reach social objectives.

All of this requires re-assessing what we mean by social housing, and the social rental sector. In shaping a future sector there needs to be attention not just to the roles but the rules and incentives for the SRS and about innovative choice systems rather than old legal categories. The Hills' Review provides an informed assessment of context and roles from which to start this debate in earnest in housing policies for the UK (and not just social housing in England). In the remainder of this paper the emphasis is to reinforce the findings of Hills but to place a more hard edged emphasis on discussion of routes to a more contestable social housing system.

2. The social rented sector: what do we mean?

Social: ends or means?

Britain has rather stumbled towards its current housing policy lexicon. The term 'social rented sector' was rarely used in Britain before the 1990s, though it had wide currency in Scandinavia, Western Europe and Canada where a more pluralistic ownership and provision of non-market housing was commonplace. Indeed the term was widely disliked by many UK tenants, as they felt that it stigmatised them as social cases in social housing. For most of the last decade UK housing policy debate has squelched around in the muddy ground of 'affordable housing'¹² and the 'social' label has had less attention.

As noted above, the British history of non-market housing has primarily been one of municipal ownership, production and management. Public housing was, and is, a fairly unambiguous term and related to the ownership of the assets involved. Indeed the UK has continued to define sectors on the basis of assets owned. However after the major housing reforms of the 1989 Act¹³, and with growing volume of private finance attracted into housing associations as their roles both in new development and stock transfers expanded, it became essential to have a wider concept. Public (council) and not-for-profit (NFP – housing association) sectors were linked together as a wider 'non-market' effort in rental housing. Later in the 1990s the development of municipal housing companies as NFPs led to the identification of 'registered social landlords' (housing associations and municipal housing companies) and municipalities as the 'social sector'.

This evolution of labels related to ownership of assets and also to non-market methods of setting rents and allocating properties. Other countries have had different traditions of the 'social' adjective in housing. Some countries might label programmes by their intended beneficiaries rather than asset ownership. For instance in the USA, from the 1960s into the 1990s there were typically large programmes of tax incentives and other assistance¹⁴ wherein private landlords would let homes at non-market rents to low income clients identified by public authorities. These landlords had to commit their houses to these programmes for 15 to 25 year periods. In Canada today, rent supplements are paid in a similar fashion for landlords to rent to clients who are allocated the certificate and this is done on the basis of social need (this is a small and far from universal scheme).

So social goals in housing, delivered through non-market rents, can be provided by assets owned and managed by the private sector. In essence the 'social' dimension of housing policy lies with the state and it simply purchases the required outcomes from the most effective providers. In the UK, when the government pays housing benefit to tenants to rent from private landlords, it is pursuing 'social' objectives by subsidising private provision. Some households, albeit the less needy, who qualify for 'social' rented housing in the UK can, with rates of assistance not much different from those received in the rental sector, become owners or part owners of properties. Some countries, Finland and Spain for example, would regard policies to help such individuals into home ownership as 'social' housing policies and arguably, in that sense, Scottish GRO Grant policies equally met social housing objectives.¹⁵ That is, their aim is social wellbeing for less well-off households and they are not dependent on choices in one housing tenure sector.

In the UK the growing scale and diversity, and net asset base, of the not-for-profit sector has also been associated with a new diversity in what they do.¹⁶ Some housing associations develop mixed tenure schemes and implant low cost home ownership and shared equity arrangements within rental developments. With the government anxious to boost home ownership in Britain, and with growing numbers of poor people in the private rental sector, diversity in choices and flexibility of instruments is critical in developing a housing system that will work for the future. In many respects it is not difficult to argue why Britain should have a social rental sector for the future nor to point out ways in which to make the system more effective. The key difficulties will be in assessing the extent of support to give to the different routes – social renting, private renting and low-cost home ownership – that will meet the range of housing outcomes required.

John Hills recognised these issues in the review. He championed the importance of giving choices to households wherever possible. In particular, he argued clearly why the key decision for local housing gatekeepers is not simply whether to offer a social housing tenancy or not, but to offer a range of choices that best match the resources and preferences of the households to the organisational possibilities. In retrospect it may have been better to cast the Hills' Review as an integrated cross-sectoral assessment of future housing strategy for low income households in England.

Contestable systems

This brief discussion indicates that the 'social' element can relate to the nature of the outcomes required, the locus of resources to pay, the ownership of the housing assets and the nature of the pricing and allocation process. However even if agreement can be reached on what constitutes social rented housing, there is the wider issue of what is meant by the 'system'. Most commentators would agree that social rental housing should be 'triple A' – adequate, accessible and affordable – and that its organisation should be 'triple E' – economic, efficient and effective. But what constitutes the key system or even the principles for its operation? The Hills' Review does not centrally address the question of how social housing might best be organised.

What is needed to deliver 'triple A' and 'triple E'? How competitive should a local housing social housing system be? What contestability should there be within organisations in employing internal and external resources? What mechanisms should there be for local collaboration and support? In France and The Netherlands the national and regional federations of not-for-profits have gone well beyond being lobbyists and educators to developing sector reconstruction and credit enhancement mechanisms. Are common waiting lists the only collaborative issue or are new system design issues open to common discussion? Do provision and collaboration have to stop at municipal boundaries? Who has the responsibility to assess whether a local, metropolitan social housing system, as opposed to its individually inspected and monitored landlords, is effective, competitive and in need of restructuring? Anybody? Has government, despite the new emphasis on inspection, just simply failed to consider the system effectiveness issues? System design questions are as important as defining 'legal entities'.¹⁷

So far we have considered how the Hills' Review has emerged, its key contents and the meaning of the social rental housing. To progress this discussion this paper contains four more chapters. The next, The changed roles and patterns of social renting, takes a brief look at the roles social housing in the UK now serves (largely reaffirming Hills). Chapter 4 looks at the changing structure and performance of the sector (adding an emphasis missing in Hills). Chapter 5 makes an in principle assessment of why a nation needs a social housing sector, again largely concurring with Hills, and Chapter 6 then sets out some major policy possibilities to reinforce or complement those advocated in the Hills' Review

3. The changed roles and patterns of social renting

This paper does not set out the changing finance and subsidy arrangements in the sectors involved since 1989 (the key date in the changing roles for the association sector) or even 1997 (the switch from Conservative to New Labour government). Nor does it detail changes in economic and social patterns that have occurred with the intensification of competition in global capital and labour markets.

This section focuses on the roles for the social housing sector that have emerged in England as the country has grown in wealth and inequality and as real house prices have increased decade after decade and reinforced deep-seated preferences for owner occupation as well as wealth differences between social renters and home owners.

Some policy, and much press, discussion of the social housing sector has a uniformly bleak view of the social rental sector. It is presented as a locus of decay, disadvantage, and decline: unloved by all those who live within it. It is then easy to cast social housing as a sector to get out off or that traps those who live within it. These observations may hold true in some places, but not for all. The remainder of this chapter presents some key facts to supplement some of the important observations made by John Hills.

Scale

- The overall SRS share of housing has fallen significantly from 32 per cent of homes in 1979 to 18 per cent in 2005: in the same period the home ownership share has risen from 56 to 71 per cent.
- There has been a marked shift in the ownership of homes within the SRS; in 1979 councils owned fifteen homes for every one let by an association, and now associations own two for every three let by councils.
- This has involved a sharp absolute reduction in the number of municipal homes from 6.4 million in 1981, through 4.9 million in 1991, to 2.9 million in 2005; over the same period, there has been a marked increase in housing association ownership from 0.5m, through 0.7m to 2.0m: municipal sector contraction has characterised both New Labour and Conservative years.
- There are still regional differences in the significance of the social rental sector: the SRS provides 13 per cent of homes in the South

East and South West but double that proportion in London and the North East: there is also, generally, a higher ratio of association to council stock in the South than in the North.

- Although estate renewal schemes and right-to-buy (RTB) sales have led to more diverse local patterns of ownership there are significant concentrations of SRS homes within cities, where the SRS typically still provides a third of homes; in both cities and smaller towns the spatial separation of tenures means that there are still extensive neighbourhoods where the social and physical character of places is set by SRS providers.

The spatial concentration of social housing, and its growing associations with the poorest of households, is marked in the UK. In consequence, although the SRS has reduced in scale, its extent and quality are still key to England's poorest places and people. Any plans for change have to recognise this place-based locus of the problems, and indeed the opportunities for change. The sector is selective of people as well as place. It will usually be impossible to remake social housing without remaking places.¹⁸ These patterns and their implications are well recognised in the Hills' Review

Homes for whom?

The JRF Housing Finance Research (1988-92) programme was important in drawing attention to the social characteristics and economic poverty of residents of social housing in Britain. The research finding that two thirds of Glaswegians living in that city's large public housing sector would not be able to pay for their own funerals was at first ridiculed, then challenged, then believed. There has been a real paucity of hard empirical research on housing finances and subsidy outcomes in the UK over the last 10 years, but the nationally available data for England¹⁹ highlights the poor status of SRS residents:

- Taking household head and partner income together some 77 per cent of SRS households have incomes less than £15,000 a year, but 10 per cent have incomes in the £20,000 to £30,000 range.
- 60 per cent of SRS tenants make use of Housing Benefit.
- This largely reflects the employment and labour market status of tenants; only 32 per cent have any form of labour market income, compared with 96 per cent of owners with mortgages; the proportion

of retired households is roughly similar in both the SRS and owner sectors at around 30 per cent.

- The proportion of households in the SRS who were unemployed has fallen markedly over the last decade but for much of that period the proportions of other forms of welfare dependency increased; however, and this is an important shift, the proportion of households in the SRS and in employment has stabilised and then increased a little since 2000; there are SRS tenants who sustain and succeed in labour market positions and this is an important consideration in choosing how to evolve the sector.
- The SRS, while home to only 17 per cent of whites, houses almost twice that share of the black and ethnic minority population of England.
- Income and wellbeing also reflect the demographics of each sector; home ownership has an over-representation of couples with children and couples without dependents; the SRS has an over-representation of single person households and single parent families.
- Unsurprisingly, as households accumulate assets over their lifetime, there is a switch from renting and towards owning at successively higher age bands in the population: in England in 2005, some 80 per cent of those aged 16 to 24 were renters; and 80 per cent of those aged 45 to 64 were homeowners.
- As the UK becomes concerned about services for the elderly it is important that almost a quarter of the nation's population currently aged over 65 are in the SRS; any radical reshaping of the SRS will not only have to be aimed at some of the poorest places but also at many of the older and minority households in England's population; this may limit the extent of alternative tenure and market arrangements that can be put in place with any reasonable chance of success.
- There is another key age fact that emphasises the need to look more widely than the current SRS if housing shortages and low income problems are to be adequately addressed: from 1993 to 2005, the sector that has most dealt with the pressures of new household growth in the period of growing affordability pressures has been the private rental sector (PRS), not the SRS; the major displacement of younger households since 1993 has not been out of the SRS but out

of owner occupation. The share of 25- to 29-year-olds in owner occupation has fallen sharply from 60 to 50 per cent, with the share of the same age grouping in the SRS also falling from 22 to 17 per cent. The PRS share has expanded from 19 to 34 per cent. Similar trends are apparent in the 30 to 34 age group so this is not simply a student-age phenomenon.

This is a shift that is important for the future; it could constitute a new problem for lower income displacement out of the PRS or it could provide an opportunity for NFPs and others to participate in the development of a new, larger, mixed income, and mixed tenure rental sector. This market shift has not yet been reflected in policy measures.

Who comes, who goes?

The present position of the SRS reflects a quarter of a century of choices against the sector, not simply by governments but by households with resources to make some other arrangement. This broad rejection of the quality, neighbourhood and financial packages offered by the SRS to consumers should not be forgotten but a more detailed look at current patterns of who enters and leaves the sectors may say something about future roles.

- Critics have argued how the SRS traps households and prevents them accumulating assets and becoming home owners: the Survey of English Housing shows that for those that quit the SRS in the years 2003 to 2005, half did so by exercising the right to buy, and a further quarter did so by becoming home owners in the marketplace.
- The survey also suggests that those who became home owners, either through RTB or by moving, were more likely to be households that contained workers and were couples too; giving SRS tenants a share of the equity gains in social housing (Maclennan, 2006) may simply speed up the exit of thriving households in the sector but it might still benefit those who cannot afford to move out and who have no stable market employment.
- A more urgent policy concern must surely arise from the fact that of the quarter who left for the PRS, 60 per cent were without employment and usually single and 40 per cent were aged over 35 (a quarter of them wanted a better neighbourhood, and a similar proportion were undergoing relationship breakdown or seeking a home closer to workplaces). There must be a serious policy question as to whether it is better to house this grouping outside the SRS or to

refashion NFP provision arrangements to stem this worrisome flow; or are private landlords and the market, with housing benefit support, now providing better options for some of our permanently poorer households?

- In 2003-4 some 63 per cent of new entrants to SRS were single (including 44 per cent lone parents), 26 per cent were in full time work and 15 per cent part time, so the new inflow replicates many of the characteristics of existing tenants.
- Of those entering the council sector in 2003-4, a third entered because of a major change in circumstances, half to start living independently.
- The length of residence figures do not suggest an unstable population within the SRS; one tenth of tenants have not moved for more than 30 years, another tenth have been in situ for 20-30 years, a further fifth for 10 to 20 years and yet another fifth for 5 to 10 years; particular neighbourhoods may, from time to time, be quite unstable in composition but this is not a valid view of the population of SRS tenants.
- The Survey of English Housing indicates that SRS tenants have low mobility rates, that entrants in the main move less than two miles to enter the sector (these are very localised systems) and that 80 per cent of lettings made, in both main sectors of the SRS, are made to intra-sector movers (transfers).
- The number of new lettings made (capacity to meet emerging needs) had fallen, between 1999 and 2004, from 631,000 (395,000 council and 237,000 association) to 500,000 (roughly equally split).
- Just over a third of entrants are newly formed households; between a fifth and a quarter of those entering come from owner occupation and half are over the age of 65 and 61 per cent are single persons: this is a major policy issue, for housing and for coping with the cost of old age: are these households returning to the sector so that they can extract their home equity (and probably quickly pass it on to children, to preserve eligibilities for social security) or because they have become impoverished or because there are market failures in elderly care? Just as the new pressures on young people in the PRS create opportunities to remix and redefine the boundaries on social housing so also does this elderly flow; NFPs could become trusted reverse equity vehicles for the elderly and even assure housing after the cash runs out.

These points above emphasise the complexities of the SRS system's role. The 'we don't need it anymore' lobby seem to have an oversimplified view of housing problems and possibilities. The figures above make a prima facie case for significant social support for housing but they also suggest new patterns and niches and roles that need a more flexible sense of what social housing is.

What is provided?

- There are problems of housing quality: in 2001 more than 1 million council homes would have failed the decent housing standard; stock quality is now improving.
- Council housing is not old (though it has high demolition rates) and the association sector has the youngest stock of all the tenure sectors.
- Just under 70 per cent of SRS tenants, in both sectors, have a garden, in contrast to 92 per cent of home owners and 63 per cent in the PRS.
- In most towns and cities SRS neighbourhoods still feature largely in the areas of greatest deprivation; but there are also significant rates of improvement in housing quality, type and tenure mix within a majority of the poorest third of places in England (MacLennan, 2006e).
- Social housing is more overcrowded than other tenures; overcrowding rates in London grew steadily after 1996 from 10 to 13 per cent (but have fallen back below 12 per cent since 2002-3 when programme scale increased); within the SRS nationally the overcrowding rate is 4.9 and really only a serious issue for large families; conversely the sector is less under-occupied (12.1 per cent) than owner occupation (44.7 per cent).
- The time spent on waiting lists has fallen since the early 1980s; now, within the SRS as a whole, just under two in five applicants queue for less than three months, under a fifth wait between three and six months and one in six between six months and a year. List times are usually shorter in the North than the South. By international standards these are short times to wait for, in effect, lifetime tenancies.

- Entry may be fast but it is not unproblematic; fewer than two-fifths of households liked the homes they were offered in the allocation process with poor dwelling condition the main source of discontent; in time more than half came to like the dwelling they lived in, but the dislike score is worryingly high, and this internal score is echoed in other tenures as two fifths of owners and two thirds of private renters would have felt happier with SRS options if the property quality had been higher. This observation suggests that in a period of more stable house prices and with ongoing quality improvements in the SRS better marketing could lead to a more diverse tenantry.
- The nature of the tenure is not regarded as a problem by three out of four tenants in SRS and only 8 per cent say it is bad: that said some nine out of ten owners would not want to live in SRS and two thirds of them see SRS as only for the poor.
- However 80-90 per cent of home owners think that future generations will find it harder to become a home owner (and that generation, see above, is already here).

What service, at what price?

Over the last quarter of a century there has been a growing policy interest in the effectiveness of SRS housing management. However policy has largely avoided the incentivisation of good performance at both the overall organisational level and within providers where performance related pay and bonus systems are still relatively rare. Rent levels are unrelated to service provision. However, the majority of tenants do believe that their rents are about right (or a little low) and the majority is also satisfied with the services they receive.

There is, however, little ethos of getting what you pay for in the SRS. Rather, the improvement in management performance has been sought via management education and training, the encouragement of tenant involvement in service specification and monitoring, both of the RSLs by the Housing Corporation and now of councils by the Housing Inspectorate. The availability of monitoring and inspection rankings to private funders is a significant incentive to RSLs to improve or maintain good performance.

Top level indicators of sector performance reported in government and municipal statistics commonly include vacancy rates, repair delay times, rent arrears and tenant views of service adequacy in relation to rents. The general trend of English SRS performance, on these big indicators,

has generally been upwards over the last decade or so. Vacancy rates have fallen (but demolitions risen), stock quality and repair times have improved markedly in this millennium and the proportion of tenants falling into arrears has halved from 10 to 5 per cent since 1999. This has reflected changing context as well as management performance but these better outcomes are welcome.

However, More et al (2005), on reviewing more detailed assessments of performance, have reached a different conclusion about the period 1993 to 2000 (though this time period excludes the potential effects of larger programmes and policy innovations in this millennium). They argue that, in the last few years of the period analysed, housing management performance tended to deteriorate and that tenant dissatisfaction was increasing. They noted that the best performing councils were non-metropolitans with fewer flats and smaller average stock size. RSL performance, they concluded, was negatively related to organisational size, although unit management costs of smaller landlords tend to be higher. Patterns differed from place to place; for instance performance was improving in London, and the recorded performance of RSLs was declining faster than that of local authorities.

There are two major problems in assessing change in the period considered. First there was a multiplicity of initiatives for which effects cannot be separately identified. Further, and this is discussed below, the switching of significant volumes of stock and tenants between tenures, through stock transfer, makes it difficult to make any unqualified assessment of different sector performance over time.

Housing Quality Network Services (2005) has undertaken some research on performance in the Council Inspection regime. It concludes that:

- performance does not primarily reflect the context
- only one in five councils get good or excellent ratings on first inspection
- first inspection scores are not improving over time
- re-inspection leads to improvement
- the target for the Decent Homes Standard is raising performance
- the Audit Commission has correctly re-focused on poor performers
- shorter reports with explicit change recommendations have been helpful.

The worrying aspect of these observations is that the sectoral capacity to monitor and analyse landlord performance seems to have progressed little since the Maclennan et al report of 1989. To make matters worse

the new organisational diversity means that old tenure labels provide a less and less relevant basis for sectoral and cross-sectoral analysis and comparisons. However the broad conclusions about who was performing well have also changed little. Tenure type does not have a clear effect on performance but the operating context and extent of service decentralisation (more local being better) matter too.

This mystery and uncertainty over what is cost effective in housing management does not sit well with often strongly held assumptions or even objectives of housing policies. For instance:

- advocacy of localised community ownership and service decentralisation
- increasing the involvement of tenants in decision taking
- developing more choice based systems in allocations and repair systems.

There is occasional, localised evidence of such effects. However, with the government spending billions on policies and multiple millions on sector monitoring, inspection and performance review over the last decade it could have been expected that a much better evidence base would have evolved along with a best practice centre for housing management and innovation. The administrative processes of running the Housing Corporation and the Inspectorate need to be co-ordinated and re-engineered to form a real evidence and advice base on the determinants of housing management performance. As there has been little systematic research on these issues since 1997 the question must be asked, where do ideas for management change and system costs actually come from? Where does the wisdom lie? How can we improve productivity in housing management? Arguably improving such productivity is of a similar magnitude of importance to the possible gains from the better housing planning and supply that the Barker Review addressed (Barker, 2004). An argument for the creation of a UK Housing Productivity Commission is made in Maclennan (2006a) and the wider economic outcomes and performance of this sector would be core concerns for such a body.

The recently announced advent of Communities England, merging the Housing Corporation and English Partnerships, offers new opportunities for a truly integrated approach to understanding system performance. The recent emphasis of both organisations has been performance in development. However the new organisation also has to be a national centre of excellence in housing management and planning as well as the effective development of homes and neighbourhoods.

Tenants' views on the services they receive, and the rents they pay, have come to matter more. Not only have there been significant attempts to raise possibilities of tenant participation in management but government has set the transfer of council stock to RSLs at the centre of its social housing policy. Such change requires tenants to sanction transfer in a ballot.

The findings of recent research have tended to be that tenant participation, although espoused by governments from the late 1980s onwards, was slow to develop in England until the mid 1990s. It is only now really deepening and widening. Researchers are concerned that much of this extension may be formal and about consultation process rather than substantive increases in tenant power. Often it is staff that still drive the development and implementation of policies on rents, staffing and organisational reviews.

Wider statistical studies, as noted above, have struggled to establish whether, where and when, tenant participation makes a difference. The simple household survey evidence (say from the Survey of English Housing) is that RSL tenants are more satisfied with information and participation processes, but there is not a necessary correlation between managers that are good at participation and good at service management. The Survey of English Housing for 2005 reports that some six out of ten SRS tenants say they are happy with the level of involvement they presently have. One in six wanted more involvement and the remainder (one in five) did not want any involvement at all.

These results serve as a useful reminder that not all tenants are imbued with a sense that the best future is in community oriented RSLs with resident management committees and extensive involvement. These choices are better tested in the context of specific real proposals rather than with generalities made beforehand. Most people need to see the real choices and understand them rather than comment in the abstract. However a quick perusal of the Survey of English Housing would give relatively little encouragement to those landlords who contemplate setting off down the sometimes difficult route to stock transfer.

4. Under new ownership?

Stock transfer

The previous paragraphs have drawn attention to the significance of stock transfers to RSLs in the last decade, and indeed in future plans. The Hills' Review is near silent on stock transfer policies and issues and this is an important omission. It is arguable that greater clarity on strategic policy for stock transfer is an essential precondition to system change. After 2000 the government aimed for a target of transferring 200,000 homes a year for a decade (and such a transfer rate would now imply the disappearance of the council sector by roughly 2020). This chapter does not review the detailed historical evolution of that programme nor the emergence of substantial private funds to support it. These omissions are simply for brevity and the focus here is on outcomes.

This route to housing change, and the associated attraction of new money for social housing, has produced major positive outcomes for housing investment in England. More people are better housed and more involved in their housing because of it. Stock transfer, as much as the sectoral switching of new social investment, has had a significant impact on who provides and on shaping, sometimes fracturing, local SRS provision systems. After a brief review of some of these outcomes this section draws attention to some weaknesses in the conceptual design of stock transfer policies.

The general consensus of survey-based and expert reviews is that stock transfer leads to an improvement in how housing is organised with, in consequence, better services. However the views of stock transfer tenants picked up in national surveys are less fulsome in praise. For example, the Survey of English Housing 2005 reports that 29 per cent of transferred tenants said services were better but 15 per cent said they were worse. The range of studies reported in Gibb and Maclennan (2003) suggests more positive tenants' views on transfer. Research studies have also highlighted that transferred staff, many of whom may have initially been hesitant about transfer, found it worthwhile in the long run. Gibb and Maclennan (2006), for example, argue that a review of the evidence suggests that stock transfer has driven real cultural and service change, liberated staff and fashioned a style that is more participative, consumer driven and innovative. Stock transfer RSLs in England tend to have more tenants on their boards than traditional housing associations. Many of these new stock transfer RSLs have good working relationships with the councils within which they exist. At the same time, the Housing

Corporation has raised issues about viability and sometimes factionalism, in around a fifth of stock transfer RSLs.

More et al (2005) also concluded that effective organisations had usually been created and suggested that the larger RSLs created were the poorer performance managers, and not the smaller organisations. The Office of the Deputy Prime Minister's 2005 evaluation of the Estate Renewal Challenge Fund (ERCF) (ODPM 2005) also reached the conclusion that small and effective organisations could be created in sometimes quite problematic localities (and there is a decade of similar results from community based association initiatives in Scotland). In problematic places there is some evidence base that small organisations can manage effectively, in essence because higher cost management inputs, with intensive local management, lead to lower cost outcomes (less vandalism of property, lower vacancy rates, faster letting time, more mixed tenures etc) and lower risks of loan default and organisational failure. This issue is discussed further below.

In general stock transfer has not led to much innovation in organisational forms for local housing provision nor to any significant, system wide restructuring of local provision systems. Group structures that preserve salient economies of scale and allow decentralisation within a local area framework have been the major local innovation. Change in housing management as an industry has been narrowly envisioned and narrowly contained and, arguably, the Department of Communities and Local Government (DCLG) and its predecessors have missed substantial opportunities for system change. The formation of Communities England provides an important opportunity to imbue stock transfers with a new ethos for sectoral and neighbourhood change, for instance developing and applying stock transfer criteria that will identify the best set of receiving organisations.

That said, the vast majority of stock transfer organisations have been able to deliver their business plan goals. However, in doing so they have often found revenue streams or assets that were either not considered or underestimated at the time of transfer funding. They have, not least through some vacancy sales and land disposals, become active asset managers. This is an aspect of non-market housing provision which is the norm in countries such as Australia and Canada. That is, an enduring social landlord may actually sell some vacant stock, not because there is some other area of deficit on their balance sheet, but because it may make sense to change the location and house types within their portfolio. This is an activity that English SRS providers need to develop. And it is one that the financial sector should recognise as a legitimate way of

reducing the risks of lending to a particular entity. This potential to diversify and change portfolios should extend not just to the housing assets provided but to the range of tenures that a local RSL might develop. John Hills makes this point strongly in his review.

Obviously some large and multi-locational landlord, albeit with good participation and community structures in place, might choose to specialise in SRS provision. But if a local SRS provider is to renew, mix and diversify a rundown locality then they need to have a significant scope change, and again this analysis concurs with Hill's findings. They could embrace other aspects of neighbourhood management and service provision, and they might need to diversify into the production of low cost home ownership, equity sharing and even renting for market provision. There may even be the possibility of equity investment partnerships with private property interests (such as pension funds that have patient capital and would benefit from the trust and repute that have developed around much of RSL management). These more diverse models, based in pushing out the boundaries or reach of the SRS, are needed to meet the new patterns of tenure and living choices described earlier. These wider activities bring linkage, diversity and scale that should reduce overhead costs and raise asset flexibilities and reduce risks for the organisation. Arguably such a model is not dissimilar to the community development corporations that have acted successfully in many US cities nor indeed to the Development Trust model that already exists in the UK.

The major contribution made by the lending industry (with private finance for development and transfer invested since 1989 now close to £30 billion) in shaping the new system has been important. And it goes well beyond funds for investment. Provision of these funds has been contingent upon SRS landlords, often for the very first time in almost a century of provision, producing estimates of demand for their stock and detailed long term costing and affordability assumptions. This pressure from the market had led to better decision taking. But there may also be downsides in the process. Some RSLs have not yet learned how to leverage adequately the asset bases they have accumulated from past actions (see Rouse, 2006).

The creation of more decentralised stock transfer proposals is inhibited by an approach that assumes the stock can or should be run at the average cost of provision that prevailed in larger metropolitan authorities. These large municipal providers may have scale economies in service provision and scale also offers the prospect of pooling of risky events across the stock. But these large providers are often precisely the

authorities where vacancies, demolitions and low or negative residual values are most prevalent. Demolitions are a key part of system costs (failures) that are excluded from most comparisons, so that in shaping new systems lenders and government both look to the advantages of scale but, astonishingly given the obvious perverse, costly demolition outcomes, ignore the costs associated with large, centralised owners. Their large and non-local scale of decision-taking appears to have led to poor planning decisions and poor management systems and performance. They were not, in a lifetime costed model, a cheap option at all. Nor were they necessarily less risky as pooling risks need to be set beside performance risks. At present the conventional, and largely un-evidenced assumptions of scale/risk/cost relationships held by lenders (and implicitly sanctioned by government) raises the cost of funds for more decentralised solutions and militates against community based solutions.²⁰ These issues and the absence of any consideration of future equity values in stock transfer schemes has created, arguably, both a risk averse and pro-big provider set of outcomes.

Interestingly government, despite its apparent interest in community autonomy, has failed to address this issue. The consequence has been a failure to develop different kinds of more localised provision models and to inhibit the creation of entities that would renew land and other assets as well as homes. The conception of SRS roles and the possible models for the future have been much too narrow and conservative. Government has pushed hard for joined-up thinking and delivery over the last decade. Housing decisions shape, and are shaped by, neighbourhoods, and homes and neighbourhoods form the dominant landscapes of our cities. And yet there has been a resolute unwillingness or incapacity to break out of housing only models of provision (albeit that partnership has been widely pushed).

Disconnecting housing from neighbourhood, local environmental provision, and often land renewal by insisting on separate ownership and organisations for these issues has distorted organisational innovation and limited financial possibilities. It has also needlessly curbed or complicated the social entrepreneurial propensities of the many talented directors and chairs of locally based housing organisations. Those in the SRS, as asset managers, need to be smarter and more diverse in functional range as well as housing tenures. Many housing associations achieve a great deal of 'wider outcomes' despite the financing and regulatory regimes rather than because of them.

As the birth of Communities England is awaited, DCLG should be leading a discussion of councils, the Housing Corporation, English

Partnerships, the Development Trust and the Regional Development Agencies to set out better models and roles for non-profit housing, land and renewal companies.²¹ For a decade the government has argued social entrepreneurship, community and joined up approaches in renewal but has, arguably, failed to promote such key goals through housing on a systematic, priority basis.

Housing stock transfer has been an important and rewarding policy for the government, councils and the tenants who have voted for change. But the achievement is well short of what is possible. The paragraphs above argue for a more expanded vision of what the process of transfer could create. As the nation moves forward there now also needs to be more, and not less, clarity about the future for transfers. For much of the early part of this millennium there were mixed signals about the government's commitment to stock transfers or how those who refused to ballot or failed to win ballots would be treated. It would be scant reward for those authorities who made the efforts to move forward on the government's transfer programme if the 'public money' they have saved by transferring then simply passes to those who have not made the same effort for change. Offering all councils the arms length management organisation (ALMO) option, as long as they meet performance standards, constitutes a weakening of the stock transfer programme and makes some net claim on government spending on housing. As long as the spending rules remain as they do then there is no way around this issue and it might be fairer to offer the ALMO option to those councils who have had transfer ballot failures.

So clarity in which horses for which courses would help. Equally there has to be a new clarity about the local or metropolitan housing system that will emerge post stock transfers. Should there be more rationalisation of duplication between the two sectors? Is there a case for creating new specialised non-profit service providers that could supply SRS tenants from all sectors, and that would maintain scale economies in more localised estate ownership settings (see introduction above). Why, in metropolitan and rural areas alike, should a specialist management service provider have to contain their effectiveness to local government boundaries. Could efficient service providers service all tenures and not just the RSL sector? The Chartered Institute of Housing should work with the Housing Corporation, councils and funders to envision new local housing management 'industries' that best serve customers rather than preserve old monopolies and interests.

What policy context?

The previous section stressed how the nature of provision vehicles and ownership has changed, but there have been critical changes in other key policy areas for the rental sector. Some of these measures have been touched upon in earlier sections but it is worth noting them systematically here as they shape the broader context for changes in SRS policy.

- There has been a more explicit treatment of rent and affordability issues than prior to 2000; the Barker Review's suggestion of an 'affordability' target that would trigger new supply increases could be an important device for ensuring that housing shortages are reasonably promptly reflected in supply side measures.²²
- The Social Housing Standard is a brave housing policy that means SRS landlords can no longer 'economise' by cancelling needed repairs and neglecting stock quality and tenant wellbeing for protracted periods; it is crucial in triggering SRS landlords into appropriate ownership and investment appraisals and strategies; there is the question as to whether, for neighbourhood or place based landlords in poorer localities, the SRS should be complemented by a safe, green, clean 'neighbourhood standard'²⁴ and that models and resources developed reflect that wider task; this might force government and councils to explore what stock transfers can achieve in different contexts.
- There has been a sustained policy to 'converge' rent, and principles of subsidy regimes, in the council and RSL sectors; the efficacy of the convergence criteria can be challenged but the more important issue is that there has been too little attention to rent structures within, say, metropolitan regions; rent quality-offers should be made coherent between different providers; it is difficult to see how any sensible quasi market or even fair basis for tenant choices can emerge without addressing this set of issues; government needs to rethink what the high level rules for pricing SRS within and between different metropolitan regions might be and what some degree of price competition (and this does not mean full market pricing) might mean.

There have been significant developments in the way that the housing revenue account is defined and operated. Accounting reforms now allow

for depreciation and the opportunity cost of the current value of housing assets (at 6 per cent per annum) with a new major repairs allowance for those councils in deficit. This has also meant, at a more general level, convergence of the broad financial regimes for RSLs and councils (rents, major repairs allowances, accounting, inspections and so on).

Government regional assessments of the prudential borrowing capacity of councils are now made and that borrowing will have to be financed from rents; however the rental income increases for councils that will underpin this prudential borrowing are constrained by rent convergence targets. Although the Housing Revenue Account system has improved, conceptually it still operates in much same way with government assuming rental incomes, allowing approved costs and then tending to pre-empt surpluses. Government, recognising economies of scale in development activities, has limited the number of RSLs eligible for Social Housing Grant (SHG) to larger and more efficient development associations (and partners they work with).

In recent years Section 106 measures to capture planning gain (and similar principles can be applied to the wider gains in land values that emerge from regeneration and infrastructure policy investments) have become more important in social housing provision. They now provide a significant share of social output (see Monk et al, 2006) but also usually lead to mixed developments of owner occupied and social housing units: there is a strong case that, looking to the future, social housing units should only be provided in mixed tenure and income communities. The Hills' Review recognises the importance of these issues and also stresses the importance of allocation and investment policies in diversifying existing estates. It is important that new tax arrangements for gains accruing from change of use permissions should not impair section 106 outputs; in making housing plan and investment support bids to government, councils should be required to explain any variation from provision of SRS housing in mixed communities at a rate, for instance, of 15 to 30 per cent

This section has set out an overview of recent changes in the sector, who it houses, how tenants see SRS and how ownership management and 'big policies' have changed. The discussions, in broad fashion, have reaffirmed Hills' core ideas of giving more choice to informed tenants, creating a wider set of choices for sector entrants, linking housing and renewal efforts to create better places and supporting people in more effective ways. The paper has already identified possible changes for the future but in doing so it was presuming that there would be a future for social housing. It is important to set out the 'in principle' case as to why social housing has positive, potential future roles to play even in an

increasingly wealthy and better housed Britain. Too often, today, in housing policy debate there is an implicit assumptions that all the 'in principle' arguments favour market solutions and this needs to be challenged.

5. Supporting social housing investment: the wider context

Changing policies, new principles

The Hills' Review sets out the pros and cons of non-market and market provision of housing. The section that follows leads to similar conclusions though they reflect, perhaps, a greater emphasis on the nature of housing systems, both locally and internationally.

Governments can affect housing outcomes in myriad ways, both direct and indirect. They may choose to displace, or partially replace, market systems of provision, allocation and management through public and non-profit providers (the SRS). They may choose to change the nature and cost of housing investment/production by private providers not just through capital grants, but by providing recurrent operating subsidies, tax breaks, taxes, loan subsidies and regulations that influence design, land use and property use. And, of course, they may pursue the alternative or additional strategy of directly subsidising the costs paid by housing consumers (demand or consumer subsidies). In principle or theoretical cases can be made for any or indeed any combination, of these approaches given the objectives and systems confronting particular administrations. There is no right a priori approach to housing policy delivery.²⁴

Historically the West European and (now former) Soviet bloc countries made major efforts to deliver housing policy objectives through large public or non-profit sectors, usually involving government subsidised loans to non-market producers (Stephens et al, 2003). Other advanced OECD economies, such as Canada, the USA and Australia placed much more emphasis on using policies to shape rental market outcomes and emphasised the development of the owner occupied sector.

Notwithstanding these different emphases most advanced economies have utilised techniques that embrace market replacement, rental market investment support and assistance to consumers. Over the last two decades there have been similar, major policy shifts in housing policies in the OECD countries and there has, if anything, been some convergence in the means of policy delivery (Maclennan, 2006d). In very broad terms:

- there has been a tendency to significantly reduce real government expenditures on housing capital

- there has been extensive promotion of off-balance sheet and privately funded provision of low income housing
- there has been a shift in support away from grants and loans to income related, or means tested housing subsidies, although the design and impacts of such approaches varies markedly
- there has been a shift from new housing provision to rehabilitation and increasingly to link housing renewal to other investments in poorer localities.

Many of these shifts have, as in the UK, the Netherlands and Sweden, changed the character of the social rental sector, and often led to a reduced emphasis on social housing in new provision. However in some contexts, notably North America and Australia, there has been an acceleration in neo-liberal calls for the ending of social housing and its replacement in low income provision through rental markets supported by income related housing allowances. In much of North America, for instance, there is now a strong bias in policy to retreat from any form of non-market rental housing provision. Echoes of this approach are heard in the UK, usually associated with some lobby claim of a 'costless' private sector solution for affordable housing (undefined where, when and for whom).

Some of the North American critique of non-market housing is simply ideological and some based on empirical assessments of the efficiency of public housing programmes in the US.²⁵ In Canada (where there has been much less attention to real economic evidence of programme effects) the recently elected Conservative government and their Liberal predecessors have manifested little real support for non-profit housing investment. They have increasingly explored income-related rent supplements for private tenants as important routes for low income provision.

The reality of North America is that the neo-liberal synthesis prevails in policy but at the same time governments shrink from any universal housing allowances or anything even vaguely resembling a progressive redistribution of income, via taxes or subsidies, to help with low income housing costs. So neither non-profit housing nor market provision for social policy objectives is adequately funded as measured core needs, homelessness and neighbourhood segregation of the poor all increase. The Hills' Review should not ignore the evidence of the negative consequences of recent low income housing policy measures in these countries, nor the chaotic experience of low income renting in New Zealand following 'deregulation' and before corrective actions by the present government there.

The problem of North American systems arises not principally because they largely rely on markets but rather because they fail to confront the housing and other consequences of increasingly unequal distributions of income. The UK, for the last decade, cannot be subject to the latter criticism.

Any review of British policy, where government finances both large housing investment and affordability programmes, should not dismiss further exploration of market possibilities (nor should it espouse the bleak meanness of North American policy). There are valid questions as to why government could support 'social' housing objectives through the promotion of low cost home-ownership. Much more could be done to explore the ways in which low-income households can access and own housing assets (see Maclennan, 2006b). Equally, with an expanding reliance on private rental provision for currently poorer, younger households there is also a strong case for the exploration of efficient market rental instruments.

Ultimately the Hills' Review will have to sit within, and be impacted by, that wider set of choices for policy. For example, Hills refers to the cascade of wealth within better-off families that allows some moderate income younger households to own but not others. The failure of governments, in the UK and elsewhere, to deal with the issues of rising real house prices sets a context in which renting choices, social or non-social, are distorted. It is important for market advocates to recognise the limits of their own case and that there can be in principle cases for the collective ownership and non-market pricing of housing. The issue for the future is not primarily the scale of the social sector but first whether there is a well crafted multi-instrument strategy for low income households and second, how social housing is designed and resourced to deliver the roles it is best fitted to do.²⁶

In-principle cases

There are, in any economic assessment of strategies for housing policies, in principle arguments that can be made for social or collective housing ownership. These arguments are outlined in more detail in Maclennan and More (2001) and in Maclennan (2006d). The case for collective and public ownership is potentially greatest where:

- there is no effective tax system to transfer resources through tax and subsidy programmes to allow a universal housing allowance scheme
- there are significant externalities from housing outcomes that markets and taxes do not deal with

- households are somehow unable, other than through shortage of resources, to make sound housing decisions for themselves
- there are benefits from the actual process of collective ownership, for example the development of social capital in neighbourhood renewal programmes may imply that community housing will have a better set of policy outcomes than tax break assisted private provision of similar homes
- there are significant monopolies or supply inelasticities in land and property markets
- communities can capture the gains from land values that arise from their own behaviours, renewal programmes and planning decisions;
- individuals actually wish to own as a collective.

That is, there are market failures, household choices and dynamic effects that could support cost-benefit cases for new provision of social or community-owned rented housing. These points are made simply to prevent neo-liberal reductionists, who ignore essential problematic workings of housing markets, from claiming all the 'in principle' arguments for themselves. Policy debate may be stimulated but will never be resolved by pro-marketeers that emphasise public failures and ignore market failures while locking horns with public sector and community lobbies with the reverse emphasis. The sad reality in which we live and house ourselves is replete with market and public failures and the good policy choice is not to parrot reductionist theory but to make the best system choices and designs to meet the goals of the time and the place.²⁷ Hills makes the points clearly.

An economic perspective on social housing for the future would require two further sets of considerations. First, how incomes, prices and preferences are changing, and in the UK that will continue to mean, in all likelihood, a relatively shrinking social sector (as presently defined). Secondly, as long as subsidised non-market housing exists then there should be (as argued in previous sections) coherent economic design of how it is financed, delivered and managed. This has been a near century long lacunae in British housing policy and John Hills is mild in his observations in that regard.

6. Connecting social housing

The discussion above suggests that if a housing system manifests concentrated place-based poverty, recurrent tendencies to metropolitan shortage and sluggish supply, then the 'in principle case' for non-market housing can quickly become a real policy priority. The nature of the UK housing system is such that effective social housing provision can make an important policy contribution. The nation needs to aim higher in social housing provision because we need to look to a future in which 'triple A' housing is available not just to existing tenants but to new and different client groups. Many of the challenges that have to be faced are not about endlessly expanding public resources for a new SRS but about defining, designing and delivering the sector differently.

The case for a future SRS can be read from the 'factual' sections of this paper. But the evidence also stresses why a future SRS should not be the same as the fractured systems and poorly designed mechanisms that prevail now. John Hills has suggested a number of specific areas for change in policy and practice, for instance in relation to the management of waiting lists and the development of mixed income communities. These points for change will be important for some, particularly in the immediate future. However, looking wider and further, policy change has to have a higher ambition and it should be to aim for a more cohesive and integrated social rented sector. There needs to be a radical reassessment of what non-market housing can contribute to effective housing systems and the emphasis should be on creating an industry or economic system that is designed to deliver what is required and to connect the sector to wider social and economic systems. A new system should aim to offer individuals varied and coherently priced choices, produced with effective costs, and over time their presence in the SRS should not hold them back from choosing different locations, homes and tenures. That is, the system should be coherent in the short term and connected and flexible in the long term.

Moving to that changed system will take time. However there is a sense of drift in stock transfer and overall tenure policies in the UK at present. The Hills' Review, because it was aimed at providing background and analytical support, has informed these debates but has not resolved these issues for the Government. The Government still needs to set out some more decisive and coherent, longer-term vision for policy. It should, arguably, be thinking about what system change can be delivered in the medium term, say to 2012, and the longer term, say to 2020. It will be essential to developing a new sector that providers, politicians and tenants actually want to lead changes in systems and

cultures of provision. Change will require longer processes of consultation and planning though a starting road map, a sense of how to proceed and where to start from would be reasonable expectations. John Hills has, in his own words, indicated directions for travel. The remainder of this paper suggests some first steps down routes to change.

Different levels need to change: issues and recommendations

Making a new SRS will require actions at different levels of government and governance within the housing sector. In many senses the most critical reviews and changes of behaviour will be within specific partnerships and providers but the focus here is on actions by government at national and more local levels.

The following paragraphs highlight some key issues and questions confronting the national level in seeking to facilitate more integrated local outcomes and they also set out some recommendations (in italics) for policy development and change.

- There needs to be a new national understanding across all main sectors of policy-making, including health and education, of how social housing affects wellbeing and economic competitiveness. *A national standing committee (The Housing Productivity Commission), should be established for the UK as a whole, to sustain and extend the work of the Barker Reviews and to include assessment of social housing development and management and its wider and long term effects on national economic and social development.*
- Government has hidden behind an unarticulated concept of competitiveness in housing for nearly two decades without ever providing advice or insight about how unbundling local authority provision can create new systems; relevant government departments, the National Audit Office and the Housing Corporation and English Partnerships (Communities England) should address the yawning gaps in effective performance measurement, understanding and responsibility for identifying the overall efficiency and effectiveness of a local housing system (ranging across the multiplicity of providers within metropolitan areas, for instance). *A national centre for assessing housing system (and renewal) effectiveness should be established within Communities England and work with the Housing Inspectorate to develop a long term performance database established both for individual providers and local area systems: that*

initiative should start now and be fully developed for the start of Communities England.

- The formation of Communities England could offer government the possibility of undertaking assessment, persuasion and cooperation to evolve more effective local housing systems. *The national aims for the new Communities England should have a strong emphasis on interfacing market and non-market housing policies and connecting them to wider renewal activities; at the local scale it should play a key role in ensuring that capacities, organisations and overall systems are designed to be effective and integrated so that consumers are confronted with the range of choices and mixed communities that Hills recommends. They need to work with councils and others to bring community energies, different housing providers and other sectors together.*
- DCLG should be more ambitious in its aims for the system changes that could arise in stock transfer proposals; indeed creating contestable local housing systems should be an explicit aim of policy. *DCLG, the Housing Corporation (Communities England) and funders should be asked to assess the possibilities for different kinds of post transfer systems and the implications for consumers and costs; when future transfers take place, new system contestability and wider renewal possibilities should be at the core of Treasury and DCLG assessments of the efficacy of proposals for transfer and appropriate guidelines should be developed within a year.*
- Changing regulatory, financial and co-ordination regimes to facilitate non-profit landlords to become, in effect, local development and management agents with easy capacities to provide mixed tenure homes is needed to achieve core objectives of the Hills' Review; these need to be tenure boundary crossing, and mixing, entities. These organisations may often also need to be involved in owning and developing land and in providing or organising services and investments for community renewal. *A joint working party of the Housing Corporation, English Partnerships, RDAs, the Neighbourhood Renewal Unit, Councils, the NHF and the financial and construction sectors should be formed to develop a new model 'renewal-social housing agent' within the year.*
- *It is further recommended that with community renewal objectives in mind the same set of institutions revisit some of the now conventional assumptions, approaches and 'rules' for funding stock transfers to establish whether they have a real basis or are unduly conservative*

in scope and vision and act against the possibility of community-led neighbourhood renewal.

- Government needs to keep a close watch on the pressures emerging within the private rental sector for 25- to 35-year-olds and to consider how non-profits have a role in easing these difficulties. There is also a fundamental issue emerging about 'safe', well serviced, rental solutions for a growing wave of the elderly who wish to switch from owning to renting; both these emerging demands could be met within a redefined notion of SRS. *There needs to be fast national assessment of emerging, often middle income, niches in provision that could utilise the skills and diversify the interest of social providers; this is an issue that local strategic housing authorities need to pay more attention to.*
- *DCLG needs to develop an evidenced understanding of the extent to which landlords could share equity gains with established tenants in the form of allocated equity tranches (that could be integrated with a revised, and reduced, right to buy) (see Maclennan, 2006b); this would impart an asset based element to the welfare of tenants and also ensure a less steep transition for younger households moving out of SRS into home ownership (though such mechanisms would reduce the asset based capacity of SRS landlords to borrow for new investment); there may be some merit in understanding the partial equalisation of acquisition rights across all social tenures that was embedded in the Scottish Parliament's Housing Act of 2001; this would require government to also have a clearer understanding of how it might achieve the extra million English home owners that it aims to facilitate in the next six years.*
- There needs to be an assessment of the rights and rents that are appropriate for different groups within a more diversified sector. Some critics have argued against allocating secure, lifetime tenancies for all at the very outset of their SRS careers. Others have suggested shorter or probationary tenancies. That seems a backward step in a choice based system. *DCLG should consider whether it may be more appropriate to have a formal review process, led by a tenancy mentor for new and young tenants, at the end of say) one, three and five years of tenancy with the aim of really helping tenants to make better informed choices (in a sense personal housing plans for all tenants); this could be allied, in year five to any sharing of landlord equity gain with tenants (see above).*

- The form of the housing benefit system will continue to be critical for the future. There may be some elastic markets without concentrated poverty where an ex ante housing allowance might better meet the requirements of low income households. At present housing benefit still has key ex post characteristics and its prevalence in the private rented sector often reflects not a strategic ex ante decision about best routes to supply, but rather the residual consequences of not investing in social housing. Government needs to re-examine this issue and assess whether there are places that it will allocate ex ante rent supplements (or allowances) to households who could choose privately provided rather than SRS housing. A universal switch to an ex ante allowance in the UK is likely to be problematic. Ignoring the possibility that allowances could work well in some contexts is however crass and a new approach that makes allowances part of ex ante strategy choices could be appropriate. *It is recommended that the relevant government departments seek to identify the local settings in which they could, within the next five years, develop the starting conditions for cross-tenure housing allowance pilots as replacement for housing benefit. DCLG should assess the consequences of local rent structures on the use of stock, choices of households and efficacy of housing benefit payment.*

These are key and difficult issues for government to confront. But the decades of ad hoc transfer policy driving outcomes that have fragmented systems should end and government take its role in designing a forward looking SRS. The issue is no longer about how to shrink the system but how to use it in better ways.

From national to local

If national government is to create a framework of enabling measures, and make clear principles for change (fairness, integration, choice, contestability, sustainability would be useful guiding lights) the bulk of the work for change would have to be at local levels. An important part of the future system would be that it would be an effective industry. This means that the process of reformation should not be led at local authority level but across a coalition of local authorities at metropolitan or regional levels. Consumers, construction firms and carers move back and forward across council boundaries on a daily basis. There needs to be coherent metro/regional approaches to creating the vision for the sector. Of course it should involve not just RSLs and councils but other housing providers too.

The Secretary of State should commission a series of regional/ metropolitan reviews around the theme of Organising Housing for the Future to report at the end of 2007 that would:

- *Assess what housing actions need to be taken over the medium and long term to meet economic, environmental and social objectives; the changing nature of housing needs and demands would be at the core of such thinking (not typical planning forecasts but real understandings of the emerging pattern of consumer groups in places).*
- *Review the structure and operation of the social housing sector within the region; this would focus not just on the performance of organisations but the system as a whole and the review should suggest opportunities for rationalisation, new service business creation and the likely opportunities for local housing agencies that could renew places and diversity tenures; measures to improve the competitiveness and productivity of the sector should be emphasised.*
- *Identify where variable rights, rents and regulations of the different fragments of the present system have to be removed to move towards an integrated system.*
- *Identify where co-operation would facilitate integration and determine where better procedures in allocations, communication and rent-setting would facilitate a more consumer oriented sector.*
- *Establish the extent to which region-wide federations could go beyond lobbying activities to promote more 'own-sector' review, restructuring and mutual support funds and thereby provide incentives to local support and integration as well as emphasising the need for local leadership of the changes that have to be made.*
- *Identify the opportunity to create city- and region-wide service provision companies (within the SRS) that have scale and contestability.*
- *Clarify where, and to what extent, community ownership, at a neighbourhood level, will be required to meet renewal roles.*

This is a challenging agenda, both for government and for regions/cities. However the outcomes from such local reviews should form the basis for partnership working between providers and Communities England and form the link between national aims and local enabling actions.

Looking forward, aiming higher

Both the challenge and the opportunity for the SRS lies in recreating itself as a more contestable, creative and diverse sector. It needs to do so, not just because it still produces too many inadequate outcomes for the nation's poorer households, but because there are new roles to fulfil. The sector needs to aim higher, and so does government. We must come to the end of the policy era that has left the SRS as the end of the line. John Hills has been right to emphasise 'ends and means'. New 'means' requires rethinking and reform and not just resources. The UK, for social housing, needs to aim higher, for the future.

Notes

1. I am grateful to Tony O'Sullivan for helpful comments on this paper and to the Rowntree Foundation for support in the writing process.
2. Duncan Maclennan, formerly the Mactaggart Chair of Urban and Land Economics at the University of Glasgow, is at the University of Ottawa and is Chief Economist at the Federal Government of Canada's Department for Infrastructure and Cities. The views expressed here are personal. He can be contacted at dcmacclennan@sympatico.ca
3. See DCLG (2006).
4. Speech to the Annual Conference of the Chartered Institute of Housing by Ruth Kelly. Ruth Kelly's remit applies to England, and not the UK as a whole. However questions about the future of the social housing sector are just as important, indeed more so, in the devolved administrations of the UK and it is regrettable that devolution has not created the conditions for a confident exchange of experiences across the separate parts of the UK. England has been right to review this key set of issues and the other administrations are now lagging. For an excellent assessment of Scottish perspectives see O'Sullivan and Young (2006).
5. An overview of the recent evolution and current challenges facing UK housing policy is set out in Maclennan (2006a).
6. The CIH has become, over the last two decades, a significant locus for informed and balanced discussion of housing policy and practice innovations throughout the UK. However the CIH website discussing the Hills' Review contained a significant proportion of comment from housing officers that argued for resource intensive and council led investment solutions for the SRS.
7. In essence the Smith Institute critique of poverty trapping has substance though their proposed solutions may throw the baby out with the bathwater, see Maclennan (2006b).
8. Maclennan (2006c) outlines basic pros and cons of mixed communities.
9. See Maclennan et al (1989).
10. A recent paper by Gibb and Maclennan (2006) develops this argument on the basis of some earlier observations by Maclennan and More (2001).

11. Useful European references can be found in Stephens et al (2003).
12. In this paper, and others, I try to eschew the use of the term 'affordable housing' in relation to policy discussion. It may be appropriate (if judgmental) to describe specific housing options as affordable for specific people, or even groups. However the wider application of the term to 'affordable housing' policy has become a predictable dog's breakfast of aims and ideas with no coherent affordability measures and, often, little clarity about whether the concern is for low or middle income households. I have observed across three countries, the UK, Australia and Canada the propensity for pro-market lobbies to argue that they can provide 'affordable housing', usually as an alternative to social provision, but with no (rational) intention for providing for the lowest income decile, even quintile. There is merit in keeping the focus of discussion on housing policies for poorer households (including private options) whilst at the same time recognising cases for middle income support. I prefer specificity and clarity in policy making to the lax use of affordability language.
13. See Department of the Environment (1987).
14. These programmes are well described by Green and Malpezzi (2003) and Muth (1973).
15. Donald Dewar once told me that he was sure that travel narrowed the mind but it did not dim my enjoyment of overseas study and conference trips. However the stream of government officials from London to the USA to study the Hope VI programmes in the US might have better spent their time visiting GRO Grant schemes in Castlemilk in Glasgow and Wester Hailes in Edinburgh to see how such tenure change models would work in an English context!
16. John Rouse makes a good case for how the 1989 Act provisions have remained the core of the system over these last 18 years but that there has been much innovation in the way providers, lenders and government have used the framework, see Rouse (2006).
17. I would argue that the NAO and others, for instance see the Report of the Comptroller and Auditor General, have failed to develop system wide effectiveness measures or evaluations for the social housing sector. There has simply been an unwillingness or inability to ask the system evaluation questions and there have, in recent decades been no UK equivalents of even the more limited econometric efficiency estimates of the

kind reported in Mayo (1986) or Green and Malpezzi (2003). The last serious research on the incidence, let alone the wider impacts, of social housing subsidies in the UK was the work of Maclennan et al (1990) and Hills (1991). In my experience, harder economic questions were being asked about social housing reform measures in Poland in 1995 than in the UK even a decade later.

18. See Maclennan and More (2001) and Maclennan (2006b) for a longer discussion of these issues.
19. Surveys of English Housing, 2002/3, 2003/4 (ODPM) and 2004/5 (DCLG).
20. This biases financial sector choices against higher input cost/lower outcome cost providers (often smaller) and it tends to lead to an assumption that risks only fall with larger stock size. Even the most casual analysis of stock abandonment and early demolition in English council housing would point up the naivety of this assumption. Arguably systemic risk, asset value risk and income stream risk could all be reduced by more local and better management. Lack of any clear understanding of these issues lies at the core of the current hiatus in second stage transfer in Glasgow.
21. See Maclennan and Cowans, 2005.
22. Given the remarks earlier on the inadequacies of affordability measures and the ambiguities inherent in affordability policies it would be best to use this indicator as a 'can-opener' rather than performance meter; that is problematic affordability ratios, for a wide range of groups, should lead to an investigation of a range of supply/demand imbalance indicators that then led to a coherent low and middle income strategy to reduce pressure signs.
23. Such a standard will be difficult to develop, however, as different households have marked variations as well as commonalities in what they regard as 'safe' or 'good' neighbourhoods, unless indicators are largely driven by community based preferences and decisions.
24. The pros and cons of different approaches to delivering rental housing for low income households are set out in Maclennan (2006d).
25. See Green and Malpezzi (2003) for a thorough review of these arguments and Maclennan (2006d) for a more critical appraisal.

26. The Hills' Review suggests that the set of policies used might range from region to region, and this is a sensible approach. However Hills' assertion that it is in the high cost/high rent regions of the UK, such as London and the South-East that most need to retain a non-market sector is flawed. The real criteria is more appropriately whether low income households could sustain adequate housing consumption at market rents and prices. Rents and prices might be lower in the North, for instance, but so too are wages and job probabilities for the poor. Other market failures may prevail across regions too so a more careful assessment of where contraction (expansion) in the SRS would be least damaging (most beneficial) is required.
27. For instance, though others may disagree, I have never found it inconsistent to argue for a reduction in the scale of the public rented sector in my home town of Glasgow whilst arguing a case for expansion of not for profit provision in south east England; nor, these last few years to have been generally supportive of augmenting community housing provision in Australia and Canada whilst holding the view that the UK non-market sector could, in some circumstances, still contract with overall benefits.

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