

# **Response to the Department of Communities and Local Government Consultation**

## ***Local decisions: a fairer future for social housing***

### **Submission by the Joseph Rowntree Foundation**

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The Joseph Rowntree Foundation (JRF) is one of the largest social policy research and development charities in the UK. For over a century we have been engaged with searching out the causes of social problems, investigating solutions and seeking to influence those who can make changes. JRF's purpose is to understand the root causes of social problems, to identify ways of overcoming them, and to show how social needs can be met in practice. The Joseph Rowntree Housing Trust (JRHT) shares the aims of the Foundation and engages in practical housing and care work.

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## **Introduction – the case for reform**

In considering the case for reform this paper notes that:

- Inequality in society is growing. The socio-economic gap between children in social housing and their peers in other tenures is wider than it has been for any previous generation. It is crucial to consider social housing reform within this context of growing inequality.
- Changes to the wider housing system and the increased targeting of social housing allocations have acted to spotlight social and economic disadvantage.
- Although social housing policy is one important tool in alleviating the experience of poverty it cannot alone tackle poverty and inequality.
- In international comparisons the UK social housing system provides a greater safety net than its counterparts in other countries as it does not exclude the poorest and most vulnerable households.
- Those countries which operate ‘two tier’ tenure systems which delay access to secure tenancies within the social housing system can delay homelessness households’ ability to resettle.

JRF welcomes a thorough review of social housing policy. It is crucial to ensure that social housing is fit for purpose and meets the needs of lower income and vulnerable households. The government’s recognition of the local expertise of housing providers and their concern to better meet housing need is also welcome, together with national leadership on a new tenancy standard and the direction of allocations policy. We share the goal of improving the social sector’s potential positive impact on the households who live in it and the crucial recognition of the sector’s role as a safety net for existing tenants. However we also acknowledge the tension between these two roles: social housing as safety net and social housing as springboard to opportunity.

There are great inequalities in wealth in Britain with the top 10 per cent of the population owning 100 times the wealth of the bottom 10 per cent (National Equality Panel, 2010). This growth in inequality means that the gap in socio-economic circumstances between children living in social housing and other housing tenures is now wider than for any previous generation (Lupton, *et al.*, 2009). The number of households with an income level at least a third below the poverty line is 5.8 million. Representing 44 per cent of all those in poverty, this is the highest proportion on record (Parekh, *et al.*, 2010). This wider context has often led people to describe social housing’s function as that of a safety net

which could act to mitigate poverty. For example Bradshaw and Holmes (1989) highlighted the importance of good-quality, low-rent housing in alleviating the experience of poverty. As commentators have noted, since housing is not the *cause* of this inequality neither can it be the sole solution (Kintrea, 2008; Lupton, *et al.*, 2009). In considering reform of the social rented sector it is thus important to acknowledge this wider context of inequality *and* the history of social housing.

In profiling four generations of social housing residents from 1946 to the present day, Lupton *et al* (2009) highlighted three key functions performed by social housing:

- a post-war step up in housing quality from the private rented sector;
- a desirable stepping stone on to home-ownership with 70 per cent of children moving out of the social sector in 1958 and 1970 moving on to home-ownership; and
- a safety net for more vulnerable households.

As the tenure share of home -ownership grew from the 1960s onwards the more advantaged families moved on. Lupton *et al* (2009) note how over time this led social housing to become more targeted on need, thereby spotlighting the disadvantage faced by residents who were allocated social housing. Stephens *et al* (2002) also note that the allocation of social housing in the UK is akin to a means-tested benefit.

There are of course a range of functions that social housing performs in addition to providing a safety net, including (Stephens 2008):

- increasing housing supply in times of housing shortage and beyond;
- providing an emergency ‘ambulance service’; and
- delivering a wider housing affordability function.

Fitzpatrick and Stephens (2007) point out how other countries’ social housing systems often exclude the poorest households. This can have the knock-on effect of hindering the re-integration of homeless households by blocking or slowing down their access to social housing. Their review concludes that a key benefit of the English social housing system is that it ensures that the poorest and most vulnerable households are not excluded from the sector.

However Fitzpatrick and Stephens (2007) also highlight how this positive aspect of the system, together with the geographical concentration of social housing, can lead to a spatial concentration of disadvantaged households. They note that this problem is particularly difficult to tackle

in countries with high levels of poverty and inequality such as England. It also points to a central point of tension in social housing policy: social housing should be for those who need it, for only as long as they need it, but we should also avoid concentrations of poverty within communities.

A policy of moving on people whose circumstances improve potentially exacerbates this problem of concentrating disadvantage. The geographical concentration of social housing means that this balancing of individual applicant's circumstances and the impact on the wider community is a vital policy consideration. Reviewing a range of studies Holmes (2006) summarised the impacts of concentrated disadvantage as:

- high levels of worklessness;
- poor educational outcomes;
- high levels of crime and disorder;
- worse health outcomes;
- a reduction in private sector activity and increased prices for the poor.

Thus it is crucial to recognise that many of the issues relevant to the social sector's potential role as a 'springboard to opportunity' are not solely within housing policy's remit. Wider social policies such as education, welfare reform and childcare are vital in tackling the relative disadvantage between those children living in social housing and those living in other tenures (Lupton, *et al.*, 2009). In this respect the proposal for improved earnings disregards as part of the universal credit welfare benefit reforms is welcome. However we are concerned about the detailed welfare reform proposals that will reduce the available earnings disregard by a multiple of people's rent level (DWP, 2010) at a time when housing association rents will be increasing. This could exacerbate perverse incentives within the system and worsen the poverty trap.

It is also notable that concerns such as worklessness within social housing are related to the economic and labour market structure of the areas in which people live, not simply their housing tenure. Research commissioned by DWP found no consistent evidence of cultures of worklessness in deprived areas and noted the importance of other factors such as employer postcode discrimination and the local labour market (Fletcher, *et al.*, 2008). Kintrea's (2008) analysis supports this argument, suggesting that mixed communities policies can act as an important brake on the tendency of labour and housing markets to

disadvantage people on low incomes. This highlights the importance of a co-ordinated policy effort to tackle poverty and social disadvantage which brings together different social policy arenas beyond housing.

The consultation's recognition of the stability that secure tenancies in the social rented sector can offer is particularly welcomed. This stability is a crucial element in enabling those who have experienced a housing crisis to make the most of their life opportunities. A range of vulnerable households benefit from this security including:

- young people (Kelly, 2010a);
- homeless households (Fitzpatrick and Stephens, 2007);
- parents, including young parents (Kelly, 2010a);
- care leavers (Heath, 2008);
- those in insecure or low paid work (Fletcher, *et al.*, 2008).

The need for a settled, secure home is particularly powerful for those groups who have experienced instability in their lives. Fletcher *et al* (2008) note how the stability of the social sector and the flexibility of landlords can also act as a work incentive for those people whose local labour markets are characterised by low-paid, temporary, insecure work. In the current economic context it is crucial to note that low-paid insecure work increased by 60 per cent during the last recession (Goulden, 2010).

The existing complexity of the housing tenure system suggests that a more fundamental review of housing tenure merits consideration (Carr, *et al.*, 2010). This could rationalise the housing tenure system, allowing landlord-neutral new tenure offers to complement the existing system. Local authorities can also already operate discretion within their allocation frameworks (CLG, 2009a). While local discretion is important in recognising the specifics of local housing markets and an applicant's vulnerability within them, national leadership is crucial to ensure that social housing allocations continue to meet need. Pawson (2004) shows how needs-based rationing systems have been quite successful in preventing discrimination and breaking earlier patterns of segregation resulting from local discretion. A clear framework of principles, expectations and accountability against which to assess outcomes for tenants will be important for the new tenancy standard to be effective.

The following sections respond in more detail to the consultation's questions.

## **Section 2 – Tenure reform**

This section considers the consultation paper's proposals on tenure reform. In summary:

- We would argue that tenure reform should be considered across the range of tenures, not simply within social housing. This more consumer-focused, landlord-neutral approach could simplify an inherently complex housing tenure system and provide more effective dispute resolution systems for tenants and landlords in the social and private sectors.
- It is unclear how time-limited tenancies in themselves would improve use of existing stock; a housing allocation merely masks a household's disadvantage in the housing market, it does not of itself eradicate it.
- From our practice perspective in the Joseph Rowntree Housing Trust (JRHT) we can only see a role for flexible, fixed-term tenancies where this is based on a prospective tenant's choice. We would prefer to adopt an approach of offering more attractive options and enabling tenants who wish to move for positive reasons to do so.
- Increased housing supply and improved housing affordability are crucial to making more efficient use of the housing stock.
- The longer-term implications of periodic tenancy reviews merit much more careful consideration to take account of the potential disincentive they would introduce into the system.
- We are concerned about the practical and social consequences of seeking to move on tenants whose circumstances improve. We believe that this would substantially undermine the objective of JRHT to create and sustain mixed-income communities in the neighbourhoods where we work.
- Advice and information are crucial at all stages of the social housing system. This is particularly true at the review stage where the process of challenging reviews becomes crucial. To be successful the review process needs to include a means of improving subsequent decisions and addressing the underlying causes of disputes relating to the ending of fixed-term tenancies.
- Strategic policy on tenure reform and ending fixed-term tenancies must take account of the needs and circumstances of wider communities and policies to tackle poverty and disadvantage as well as individual applicant's circumstances.

### ***Tenure reform in the social sector***

The existing housing tenure system is already complicated. Another housing tenure grafted on to the system with its own appeal mechanism exacerbates this complexity. Any reforms to the housing system also need to acknowledge and work together with wider welfare reform to tackle inequality and incentivise employment. As Kintrea (2008) notes: the origins of economic inequality fundamentally lie in the labour market. As such housing can only ever play a secondary role in alleviating inequality. Further, social housing has been described as the safest tenure for vulnerable households during a recession (Monk and Whitehead, 2009); as such security of tenure does play a crucial supporting role in the current economic context. This section addresses the complexity inherent in social housing performing both as a safety net and a springboard to opportunity.

As more people move *into* social renting *from* home-ownership than move the other way, it is important to guard against simplistic assumptions about housing tenure hierarchies and people's pathways through the housing system (Wallace, 2010). As such it could be argued that widening the rental offer could provide a welcome new choice in the housing market and potentially support increased housing supply (Davies and Lupton, 2010; Kelly, 2010b). However a new tenure offer should be complementary to existing housing tenures by providing an alternative rather than a wholesale substitute. This highlights our concerns about removing security of tenure for new tenants in the social sector.

The current tenure system is inherently complex. The proposals for affordable rent and flexible tenancies represent the sixth and seventh type of tenure currently available within the social rented sector alone. At the moment, depending on when they moved in, their landlord and their particular circumstances tenants might be:

- starter tenants pending a 'full' tenancy as assured tenants with a housing association on satisfactory completion of their probationary tenancy period;
- introductory tenants pending a 'full' tenancy as secure tenants with a local authority on satisfactory completion of their probationary tenancy period;
- assured tenants of housing associations;
- secure tenants of local authority landlords; or

- demoted tenants or subject to family intervention tenancies to address specific problems relating to a households' ability to fulfil their obligations under their tenancy agreement.

Conducting a wider ranging tenure review to reflect tenants' role as consumers and landlords as providers offers an opportunity to rebalance housing tenure to meet the needs of a twenty-first century housing system (Law Commission, 2006a). Although this reform would delay the introduction of fixed-term tenancies it offers a chance to move to a landlord-neutral tenure system that could reduce complexity (Carr, *et al.*, 2010). This type of fundamental reform would also enable a review of dispute resolution mechanisms that could bring accountability closer to local decision-making bodies. Carr *et al* (2010) argue that this would enable local authorities and policy-makers to learn more effectively from their decisions and also facilitate improved policy-making at local and national levels. Such a review could deliver the transparency that would be necessary for local applicants to better understand their housing options and for housing providers to deliver more landlord-neutral options that better fit local market circumstances.

The clear inter-relationship between housing tenures within local markets (Ferrari and Rae, 2011; Cole, 2007) suggests that tenure reform across the range of housing tenures might also be a more effective mechanism to make best use of existing housing stock across the public and private sector interface. This would help to ensure that households *and* housing providers' tenure preferences were not distorted due to piecemeal reform in one sector alone. This is particularly important where there is limited housing supply and a need to avoid any revolving door of social housing applicants.

We are also concerned about the affordability impact of tenancies at 80 per cent of private sector rents. In some areas this is likely to increase the housing benefit bill without certainty that all of this increase in rent would be captured as new housing supply in the required numbers. For example, we note that in 2009/10 no new social housing was built in 106 local authorities in England; with England's average output of new build social housing falling below the UK average ([www.hnm.org.uk](http://www.hnm.org.uk)). Private sector building has also fallen dramatically with England recording a fall of 53.6 per cent in new housing starts between 2008/09 and 2009/10. In some areas of England social sector rents are likely to be very close to 80 per cent of private sector rents. However, with an average social sector rent of £75 a week in England and local housing allowance assessments for private sector rents averaging £100 to £138 a week in

the majority of English local authority areas and up to £201 or more a week in Greater London, there are some areas where the affordable rent tenancy will significantly worsen affordability ([www.hnm.org.uk](http://www.hnm.org.uk); Wilcox, in press). We are concerned that this could make work unaffordable in some areas. It also goes against the grain of wider welfare reform as it is likely to lead to a major increase in the housing benefit bill in many areas.

This lack of new housing supply also generates serious concerns about the real impact of fixed-term tenancies. If new housing supply is not generated in sufficient quantity the introduction of flexible, fixed-term tenancies could have negative implications for:

- perverse incentives – as regular tenancy reviews based purely on need may present a disincentive to people to improve or report their improved circumstances, this could be a particular issue in high housing pressure areas;
- local communities where concentrations of disadvantage and a more transient population may exacerbate people's experience of poverty and their ability to escape it. It is notable that JRF's review of mixed income areas showed that they were not characterised by the problems often linked with exclusively low-income areas. As noted in the introduction these include, for example, high crime and unemployment rates (Holmes, 2006);
- people's ability to take on low-paid, insecure jobs without threatening their housing. Of course moves to enable mobility within the social rented sector are important in supporting labour market mobility (Cho and Whitehead, 2010). However this does not change the fact that the flexibility and stability offered by the social sector enables residents to take up low-paid, insecure work (Fletcher, *at al.*, 2008). It is worth noting that such jobs have increased by 60 per cent during this recession (Goulden, 2010).

The importance of security of tenure and the stability this brings are thus crucial in two ways:

- offering housing stability for low-income households cycling between low-paid, insecure work and unemployment; and
- providing security for households with particular vulnerabilities or difficulties such as homelessness, local authority care, illness, disability or age.

There are theoretical appeals to time-limited flexible tenancies, including the opportunity to free up stock and the provision of a clear signal to applicants that social housing operates as a time limited safety net. However their actual impact in freeing up social tenancies is unclear. Although two states in Australia adopted fixed-term social sector tenancies in 2006 (Fitzpatrick and Stephens, 2007) their full impact cannot yet be assessed.

Our own practice in the Joseph Rowntree Housing Trust is based on providing and supporting sustainable mixed-income communities. We can see a role for increased flexibility in tenancies as long as this is based on the choice of the prospective tenant. We would not plan to impose or end a fixed-term tenancy against residents' wishes, unless there was a specific breach of the terms of their tenancy. We would prefer to adopt an approach of offering more attractive options and enabling tenants who wished to move for positive reasons to do so. We would be concerned about the practical and social consequences of seeking to move on tenants whose circumstances had improved. We believe that this would substantially undermine our objective to create and sustain mixed-income communities in the neighbourhoods where we work.

These wider risks and unintended consequence to local communities from a fixed-term tenancy approach are an important consideration. Current housing supply shortages and economic inequality mean that such tenancies could also create a revolving door of social housing applicants. Although an applicant's disadvantage in the housing market is masked by the allocation of a tenancy, it is not eradicated (Carr, *et al.*, 2010). Problems of concentrations of poverty, as outlined in the introduction, could be exacerbated by increasing transience within disadvantaged areas as more settled residents with improved circumstances leave the tenure. This interrelationship between social housing policy and the areas where social housing is situated creates a central policy tension. Allowing local authorities discretion on whether to adopt fixed- term tenancies could also create a postcode lottery for social housing applicants, with applicants in the same circumstances offered different tenure types in different areas. This is likely to enhance a sense of unfairness for applicants in neighbouring authorities with different policies on fixed-term tenancies. It is notable that previous allocation systems which allowed a higher level of discretion resulted in increased concentrations of the poorest households in the poorest areas (Henderson and Karn, 1985). As noted earlier, neighbourhoods with concentrated disadvantage tend to experience a range of other social

policy problems such as high crime, worse educational outcomes and higher levels of worklessness (Holmes, 2006). We would argue that social housing policy reform should go with the grain of wider welfare reform in reducing poverty and incentivising work in order to avoid unintended consequences from the proposed tenure reform.

We are also concerned that tenancy reviews would become costly, administrative burdens for housing providers. Without an increase in the supply of affordable housing many housing providers will be unwilling to evict fixed-term tenants. Where evictions do take place, a fall in house prices and private sector rents would also be needed to make housing across the system more affordable and avoid a revolving door for social housing applicants. We acknowledge that the introduction of an additional notice informing tenants of the intention to review or end their fixed-term tenancy might be welcomed as providing an extra layer of security for housing association fixed-term tenants. Despite this, there is a risk that fixed-term tenancies might act as a destabilising factor in people's lives. Fitzpatrick and Stephens (2007) highlight how two-tier social housing systems in other countries (i.e. dual time limited/lower security and long-term secure tenancies) acted to exclude the poorest households from social housing and delay the re-integration of homeless households. Kneale (2010) also demonstrates how increased reliance on private rented sector fixed-term tenancies has generated a more volatile housing pathway for young people with increased returns to the parental home. Thus the introduction of fixed-term tenancies may generate increased volatility, rather than increased efficiency, into the social rented sector.

### ***Fixed term tenancy reviews***

The previous paragraphs note that increasing housing supply and improving housing affordability will be crucial to the success or otherwise of flexible, fixed-term tenancies. Two other factors are also crucial:

- the quality of advice and information provided to tenants; and
- the nature of the appeals and dispute resolution mechanisms surrounding tenancy reviews.

We would support the provision of housing information and advice right through the housing system. This will be particularly crucial at the review stage of a fixed-term social tenancy. The provision of information would enable housing applicants and tenants facing a tenancy review to effectively assess their housing options. For this advice to be successful it would need to cover the whole range of options in the local housing

market context (Kelly, 2010a). Young people have also suggested that the provision of housing information much earlier in their housing careers would provide a clearer picture of the choices available to them. They suggested including housing within citizenship or PHSE lessons, as well as in non-traditional educational settings such as youth services (Kelly, 2010a). As noted in the previous section, reviews of fixed-term tenancies must incorporate wider assessments of the local economy, labour market and housing affordability in order to avoid creating a revolving door for social housing applicants with an associated administrative and cost burden on housing providers.

The method of dispute resolution surrounding fixed-term tenancy reviews is also vital. Evidence suggests that to ensure effective learning and improved policy-making local authorities should be closely accountable to these mechanisms (Carr, *et al.*, 2010). The Law Commission (2006b) sets out eleven principles against which dispute resolution mechanisms should be judged:

1. *Accuracy*. The system should produce the *right* answer. Where the issue is a legal one, the outcome should be a legally correct one.
2. *Impartiality and independence*.
3. *Fairness*. The system should treat those who use it fairly and they should feel that they have been treated fairly.
4. *Equality of arms* that does not unfairly treat those in weak bargaining positions.
5. *Transparency* in terms of both the process of reaching decisions and the reasons for decisions.
6. *Confidentiality*. Where appropriate, processes should be private and avoid unnecessary publicity.
7. *Participation*. The person with the problem or in dispute should be able to participate in the process of arriving at a decision or outcome. The system must treat them with respect and enable their voice to be heard.
8. *Effectiveness*. The process should result in the solution to the problem or the resolution of the dispute. This includes dealing with the underlying causes of the problem and not merely its symptoms.
9. *Promptness*.
10. *Efficiency/cost*.
11. *Impact*. The system's outcomes should not only have direct impact on the person with the problem, but should also provide a feedback loop to decision-makers in order to improve the quality of decision-making.

As with tenancy reform, however, we are concerned that the piecemeal approach is simply adding to the complexity of the existing system. Given the wider shortage of affordable housing and the local discretion proposed in relation to adopting fixed-term tenancies and ending them, there is a risk that the mechanism for reviewing decisions to end fixed term tenancies is likely to fall foul of many of these principles. For example, any review of a decision to end a flexible, fixed-term social tenancy is unlikely to solve the underlying problem of housing supply or to involve the tenant in reaching the decision. As such the aspirations set out in *Local decisions: a fairer future for social housing* may be better served by a more fundamental review of tenancy reform and associated dispute resolution procedures.

### ***Strategic policy on tenancies***

There are two aspects to developing a local strategic policy on the proposed reforms – developing the policy *and* communicating it. It is critical that, in addition to the consultation work local authorities undertake in developing and reviewing policy, they work with local communities to effectively communicate it.

In terms of developing strategic policy on social tenancies there may be much to be learnt from existing approaches to joint working on developing homelessness strategies. The successful links between strategies such as *Supporting People* and children and young people plans have been highlighted as a crucial factor in addressing youth homelessness (Quilgars, *et al.*, 2008). The input of local support providers is also likely to be vital in contributing to the strategy. This would also help to ensure effective read across from support services into policy and allocations frameworks (Kelly, 2010a).

### **Section 4 – Allocating social housing**

We would support the retention of the existing reasonable preference categories. The continued setting of reasonable preference categories by national government would also help to ensure the probity of local allocations criteria. This would help to meet the coalition government's goal of fairness between new and existing tenants by setting clear direction and leadership on meeting housing need. We note the flexibilities present within the existing allocations framework that are available to local authorities to address local priorities (CLG, 2009a).

### **Section 6 – Homelessness**

The impact of using the private rented sector to discharge a local authority's homelessness duty will differ depending on their local

housing market. However, given that homeless households are often also experiencing poverty and other forms of social disadvantage (Pleace, *et al.*, 2008) we would be concerned about the impact on homeless households achieving stability, the increase in housing costs for individuals and the welfare benefit bill.

The insecurity of the private rented sector can lead some groups to feel that it is a risky option. Young people in particular see the private rented sector as at risk of putting them 'back to square one' due to the insecurity within the tenure (Kelly, 2010a). Young homeless households have also highlighted the unaffordable nature of the private rented sector as well as the insecurity (Quilgars, *et al.*, 2008). Landlord discrimination for some groups such as young people is also a live issue (ECOTEC, 2008) with groups such as families finding the lack of security particularly problematic (CLG, 2009b). Given that the majority of homeless households are families and that homelessness is increasing we are concerned that in some areas this will create a revolving door for homeless families which acts to perpetuate housing instability. It is notable that one in ten households in the private rented sector cited the instability of the private rented sector as the worst thing about living in the sector (CLG, 2009b).

While the provision of longer-term private sector tenancies is intended to address this insecurity, we are concerned about knock-on impacts on rent levels and the welfare bill. Recent analysis of the private rented sector as a home for lower-income households suggested that landlords are likely to charge higher rents in response to longer-term tenancies (Ball, 2010). Private landlords' response to longer-term tenancies may also be negatively affected by changes to local housing allowance that reduce benefit levels by 10 per cent after 12 months in receipt of JSA. This policy change and variation in the housing market cycle may also impact on the supply of the private rented sector homes. While the recent recession has seen market rents reduced in some areas, notably the Midlands and South of England, there has been an increase in private rents in the West Midlands and North of England ([www.hnm.org.uk](http://www.hnm.org.uk)). As JRF's housing and neighbourhood monitor commentary notes, the nature of the local property market is likely to affect the picture on local rent levels.

The variable impact of discharging local authority homelessness duties in the private rented sector merits careful consideration. Given the poverty experienced by homeless households (Pleace, *et al.*, 2008), housing affordability is a crucial factor. With a difference between social

and private sector rents of at least £25 a week in the majority of local authority areas in the UK, based on local housing allowance figures<sup>i</sup>. In high pressure areas such as Greater London this difference can be more than £89 a week based on the average local housing allowance rent of £201 or above and the highest social sector rents in England of:

- £106.81 in Westminster;
- £107.28 in Hammersmith and Fulham; and
- £111.22 in Camden.

This stark difference in affordability between the sectors impacts on a household's ability to regain stability in their lives. The social and economic costs of homelessness to individual households and local authorities are not inconsiderable. For example, local authorities spent £186.3 million on homelessness services in 2001/02 (CLG, 2003). This highlights a need to prevent a revolving door in homeless applications. This is a particular concern given that 14 per cent of households accepted as homeless in 2008 cited the ending of a private sector tenancy as the reason for their homelessness (Wallace, 2010). We are concerned that the proposals to discharge local authority homelessness duties in the private rented sector will simply delay a social housing allocation and households' ability to move on with their lives. This change also appears to run counter to the main thrust of the consultation paper since:

- families are likely to be the majority of households owed a duty under the homelessness legislation;
- families view the private rented sector as problematic due to the limited security of tenure (CLG, 2009b);
- the consultation itself highlights families with children as a key group who may continue to receive traditional secure or assured tenancies within the social sector.

### **Section 9 – reform of council housing finance**

Hall and Gibb (2010) highlight the important counter-cyclical role of social housing subsidy. Their paper highlights how the restrictive housing revenue account subsidy regime has played a significant part in limiting investment in new and existing social rented stock. As such the proposed reforms are a welcome attempt to open up additional investment to create new social rented stock. In addition to the points already made in this submission around sub-market housing being an

important tool in alleviating poverty, they also highlight the following reasons for subsidising social housing:

- efficiency – to address market failures;
- it is a simple and direct way to address housing needs;
- it is a comprehensive approach to providing a personal housing subsidy that will overcome large variations in housing costs;
- it is a counter-cyclical tool with social housing investment having an employment and output multiplier of as much as 1.9 (Hall and Gibb, 2010).

The importance of the rent and benefit regime is also underlined by Hall and Gibb's (2010) analysis. In this sense the longer-term focus of the government's council housing finance proposals is very welcome.

However reform of the welfare benefit system must more carefully consider the impact on housing supply and vice versa (Gibb, 2010). Although higher rent levels in the housing association sector might secure additional borrowing, reductions or caps on housing benefit are likely to require very careful scrutiny of business plans and could limit short-term opportunities to increase housing supply (Hall and Gibb, 2010). As noted elsewhere in the submission we are concerned about the differential impact of the affordable rent model in different parts of the country. This could exacerbate the lumpiness of existing social housing supply with 106 local authorities in England having built no new social housing in 2009/10.

However the ability of local authorities to respond effectively to the proposed changes by building new homes will depend on a number of factors:

- their own assessments of the detailed proposals;
- the amount of land they have available;
- the amount they need to target at improving existing stock;
- accounting changes.

Hall and Gibb (2010) argue that the present accounting rules do not offer local authorities the same flexibility as the company accounting structure under which housing associations operate. They argue that following the municipal company or public corporation model, similar to that used abroad, would enable authorities to take advantage of more flexible accounting structures to improve the delivery of new social housing supply. Adopting a gross government financial deficit approach to public

sector accounting could avoid some of the short-term limitations to the proposed approach. Another alternative would be to adopt an approach specific to social housing and transfer the existing 1.8 million stock to a new type of vehicle which could use those assets for extra leverage to support new build. Combined with a further drive to deliver more value for money efficiencies from the sector (for example through better repairs procurement and shared services) this could provide some extra resources to increase the supply of social rented housing (Hall and Gibb, 2010).

## **Conclusion**

The current tenure system is inherently complex and ripe for reform. However the piecemeal nature of the proposed reform merely adds to this complexity rather than addressing it. A wider review of housing tenure and associated dispute resolution mechanisms could offer a more flexible and efficient housing system. We are concerned that the proposed reforms limit, rather than enhance, the potential of social housing to act as a springboard to opportunity.

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<sup>i</sup> Based on local housing allowance for broad market areas aggregated to local authority level for 2010/11. See [www.hnm.org.uk](http://www.hnm.org.uk) for indicators H6 on market rent affordability and H7 for social rent level.