

**ESRC Research Centre for  
Analysis of Social Exclusion**

# ENDS AND MEANS: THE FUTURE ROLES OF SOCIAL HOUSING IN ENGLAND

**John Hills**

## **SUMMARY**



**A summary of  
CASEreport 34**



# **Ends and means: The future roles of social housing in England**

John Hills

A summary of  
CASEreport 34

February 2007

## **CENTRE FOR ANALYSIS OF SOCIAL EXCLUSION**

The ESRC Research Centre for Analysis of Social Exclusion (CASE) was established in October 1997 with funding from the Economic and Social Research Council. It is located within the Suntory and Toyota International Centres for Economics and Related Disciplines (STICERD) at the London School of Economics and Political Science, and benefits from support from STICERD. It is directed by Howard Glennerster, John Hills, Kathleen Kiernan, Julian Le Grand, Anne Power and Carol Propper.

In addition to our discussion paper series (CASEpapers), we produce occasional summaries of our research in CASEbriefs, and reports from various conferences and activities in CASEREports. All these publications are available to download free from our website. Limited printed copies are available on request.

For further information on the work of the Centre, please contact the Centre Manager, Jane Dickson, on:

Telephone: UK+20 7955 6679  
Fax: UK+20 7955 6951  
Email: [j.dickson@lse.ac.uk](mailto:j.dickson@lse.ac.uk)  
Web site: <http://sticerd.lse.ac.uk/case>

© John Hills

All rights reserved. Short sections of text, not to exceed two paragraphs, may be quoted without explicit permission provided that full credit, including © notice, is given to the source.

## Foreword by the Secretary of State for Communities and Local Government



Housing is vital to us all – to our economy; our environment; to every individual and family for whom a home represents so much more than just a place to live.

This Government's longstanding ambition is a decent home for all, at a price within their means.

For over a century, social housing has offered families and individuals the home they need. In the past ten years we have done much to raise the quality of existing stock, and we're committed to building more. Today, social housing remains vital to four million households.

But in the twenty-first century we face a range of new challenges. Social housing itself has changed. Tenants' expectations have changed. The world around us has changed dramatically.

It is important to take a step back and consider the role social housing should play now and in the future. How can it help people get on in life? How can it underpin social cohesion, and opportunity for all? How can it contribute to the kind of communities we want to live in?

Last year I commissioned John Hills to undertake a wide-ranging review. He has approached the task with his distinctive rigour and clarity of vision.

This report makes clear that any reform cannot be for the sake of reform. It must be about making real, tangible improvements in tenants' lives. And John's analysis highlights the scale of some of the challenges.

This report is not the last word. It sets out the progress so far; the challenges ahead; and the options for tackling them. Its role is not to close discussion down, but to open it up.

I welcome this report – and look forward to the important debate that it starts.

A handwritten signature in black ink, reading "Ruth Kelly". The signature is fluid and cursive, with the first letters of "Ruth" and "Kelly" being larger and more prominent.

**Ruth Kelly, MP**  
**Secretary of State for Communities and Local Government**



This report was commissioned to help the Secretary of State for Communities and Local Government “stand back and ask what role social housing can play in 21st Century housing policy”. Its aim is to provide the background and analytical framework against which the implications of different answers to such a fundamental question can be debated both inside and outside government. Amongst other issues the report covers key questions raised by the terms of reference, in particular:

- What can social housing do in helping create genuinely mixed communities?
- Can the way we run it encourage social mobility and opportunities, including in the labour market, for people to get on in their lives?
- Can social housing and other support be more responsive to changing needs and enable greater geographical mobility?

The report looks at the possible trade-offs between these and other objectives – but also, more encouragingly, at the ways in which achieving some of them may reinforce each other.

The report assesses different objectives and implications for the direction of travel on reform, rather than making detailed policy recommendations. As will become evident from the evidence presented here and the conclusions which they lead to, there are important issues, affecting a crucial part of the lives of nearly four million households in England and the use of assets worth more than £400 billion, that require urgent debate. Specific policy responses would require careful design and consultation. This report is designed to contribute to the beginning of such a process, rather than be the conclusion of it.

## **PART 1: WHAT ARE WE TRYING TO ACHIEVE?**

### **Aims**

Three points stand out from analysis of the aims and principles underlying housing policy, with its long-standing aim of “a decent home for all at a price within their means”. First, it is not hard to make a strong argument for social housing at sub-market rents to be a significant part of how we try to meet overall housing and distributional aims. Arguments about higher quality than private landlords, avoiding discrimination, affordability, the avoidance of area polarisation, and avoidance of strong disincentives for tenants to work and save, are potentially all very powerful. Evidence on success in achieving them is reviewed below. Second, however, the strength of the arguments varies across the country, and may be a great deal stronger in high-cost areas. In relatively lower-cost regions the adverse side-effects of more reliance on cash transfers and market-based systems will be weaker. Finally, there are inherent costs to rationed systems. These include the sharp differences in treatment between those who do and do not make it through the rationing process; limitations on choice for those who do so; incentives to, and suspicions of, fraud or manipulating circumstances; limitations on mobility; and lack of consumer power over providers. Such disadvantages do not necessarily outweigh the advantages described above, but they do suggest at the least the need to try to ensure that systems are designed in a way that they are minimised. The evidence surveyed below suggests that we have a long way to go before we could claim that.

## Policy instruments

In principle there is a wide range of different forms that housing support can take, of which provision of housing by not-for-profit landlords at sub-market rents is only one. However, the system in England is dominated by just three (Figure S1): means-tested Housing Benefit; provision of social housing at below-market rents; and favourable taxation of owner-occupiers. The scale of these is large even by comparison with, for instance, other forms of support for those with low incomes such as Income Support. The scale of other kinds of intervention, such as support for “intermediate tenures” through shared ownership or shared equity schemes of one kind or another, is comparatively small. An obvious issue is whether this is the most effective balance in the use of resources.

## PART 2: WHAT ARE WE DOING?

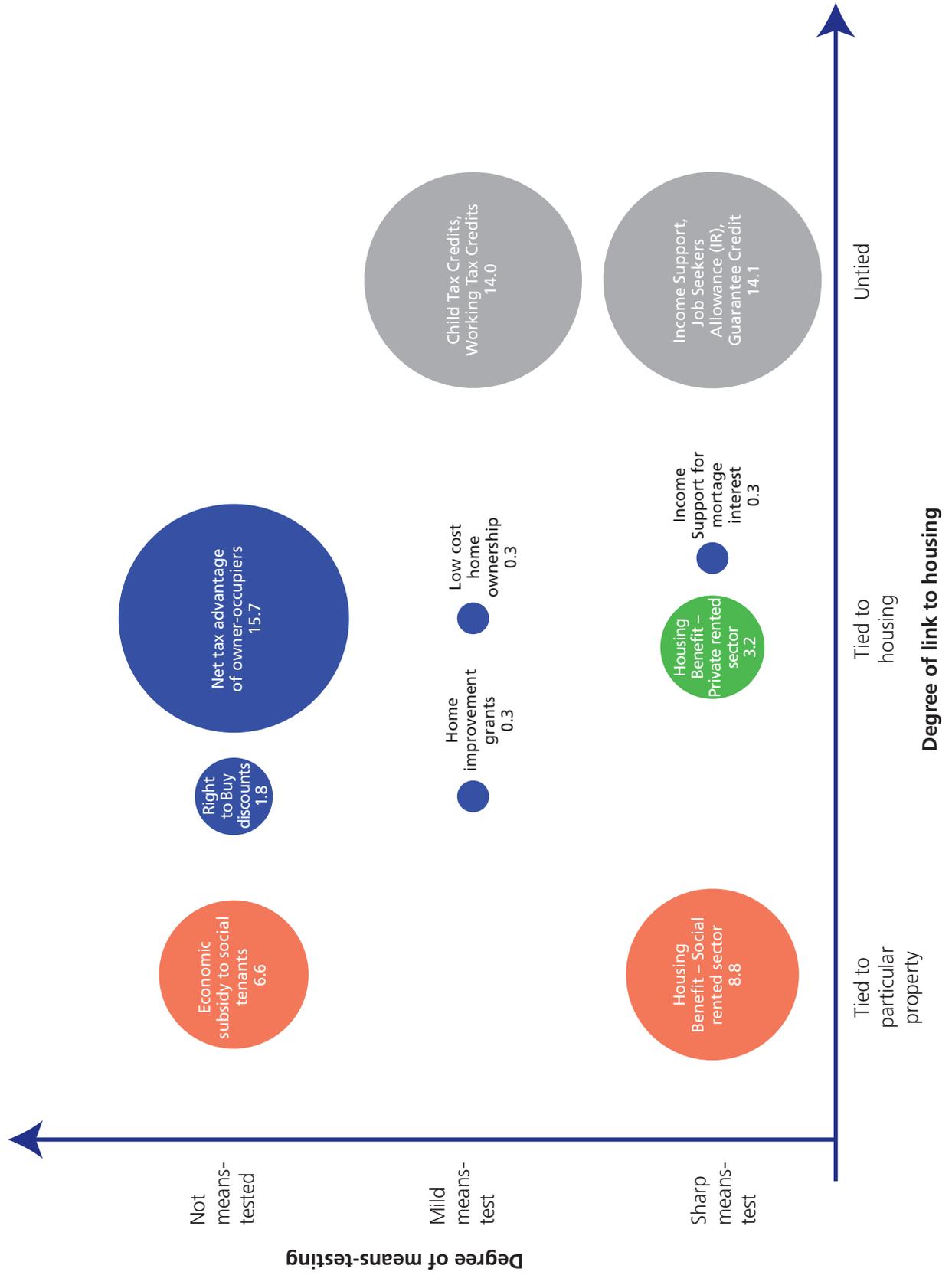
### The overall housing background

Despite what are sometimes claims to the contrary, overall housing conditions in England have improved markedly in many respects over the long-term, and have generally continued to improve in the last decade. The number of dwellings has kept up with the number of households, on average there is more space within them per person, and physical standards have improved. The majority of the key indicators of stress in the housing market have also improved, with some of the most acute problems either steady or reduced. However, there are exceptions to this picture of general improvement: overcrowding against the bedroom standard has deteriorated in London, particularly in the private rented sector; social tenants enjoy less space per person than other tenures, less than they did a decade ago, and are more likely to be dissatisfied than others if they are living with little space; the use of temporary accommodation is more than double what it was a decade ago – albeit mostly self-contained, rather than shared such as in bed and breakfast accommodation. Consideration of the future role of social housing does not take place against the background of a general crisis in housing conditions – if anything, the reverse. But that general improvement means that the wide variations in conditions between households should remove any sense of complacency.

### Social housing background

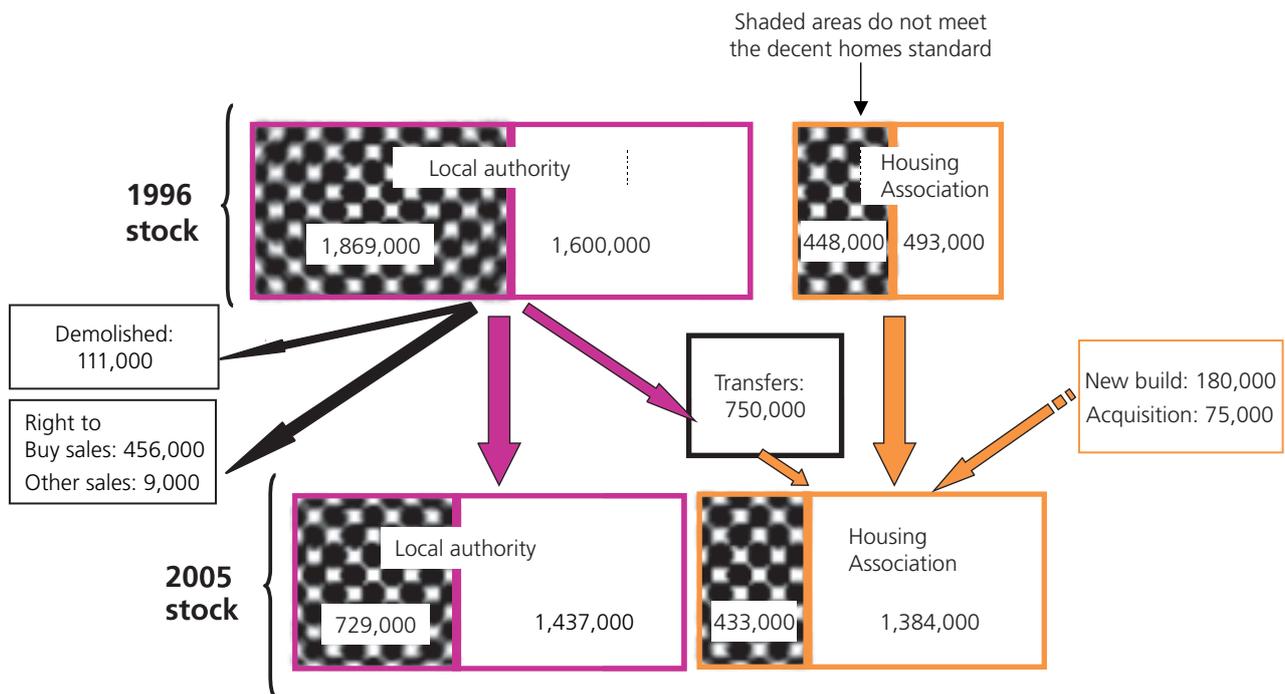
Over the last quarter century the role of social housing has changed. The sector has become much smaller as a proportion of the total, although nearly 4 million households still live within it. While post-War provision was aimed at households on a range of incomes, since the 1980s provision has become more tightly constrained and new lettings focussed on those in greatest need. As a result, the composition of tenants has changed, with tenants much more likely to have low incomes and not to be in employment than in the past or than those in the other tenures. Seventy per cent of social tenants have incomes within the poorest two-fifths of the overall income distribution, and the proportion of social tenant householders in paid employment fell from 47 to 32 per cent between 1981 and 2006. Tenants have high rates of disability, are more likely than others to be lone parents or single people, and to be aged over 60. More than a quarter (27 per cent) of all black or minority ethnic householders are social tenants (including around half of Bangladeshi and 43 per cent

**Figure S1** Scale and type of public support for housing (£ billion, 2004–05)



of black Caribbean and black African householders), compared to 17 per cent of white householders. Looking at today's social housing stock, 93 per cent of it was already within the sector nine years ago (although 750,000 dwellings were transferred between local authority and housing association ownership; Figure S2). For tenants, there is much less movement between dwellings than within the private rented sector, and more than 80 per cent of those living in social housing today were also within the sector ten years ago (if born by then).

**Figure S2** Accounting for change in the social rented sector, 1996 to 2005



Sources: Communities and Local Government statistical returns and EHCS

Notes: Figures do not reconcile due to overall rounding and disparate sources; boxes not to scale.

### What do we spend?

Looking back over the last thirty years there has been a pronounced switch in the way housing subsidies are provided from supply-side subsidies (which reduce the cost of housing) to demand-side subsidies (which help people pay for it). By 2003-04, one third of the £16 billion total of public support was for supply-side subsidy (mainly capital grants to housing associations for new dwellings) and two-thirds for demand-side subsidy (mainly Housing Benefit). However, these accounting flows do not necessarily measure the advantages to tenants of paying rents that are below those that would give an economic return on the value of the housing stock they occupy. One estimate of the “economic subsidy” to social housing (the difference between actual rents and those giving an

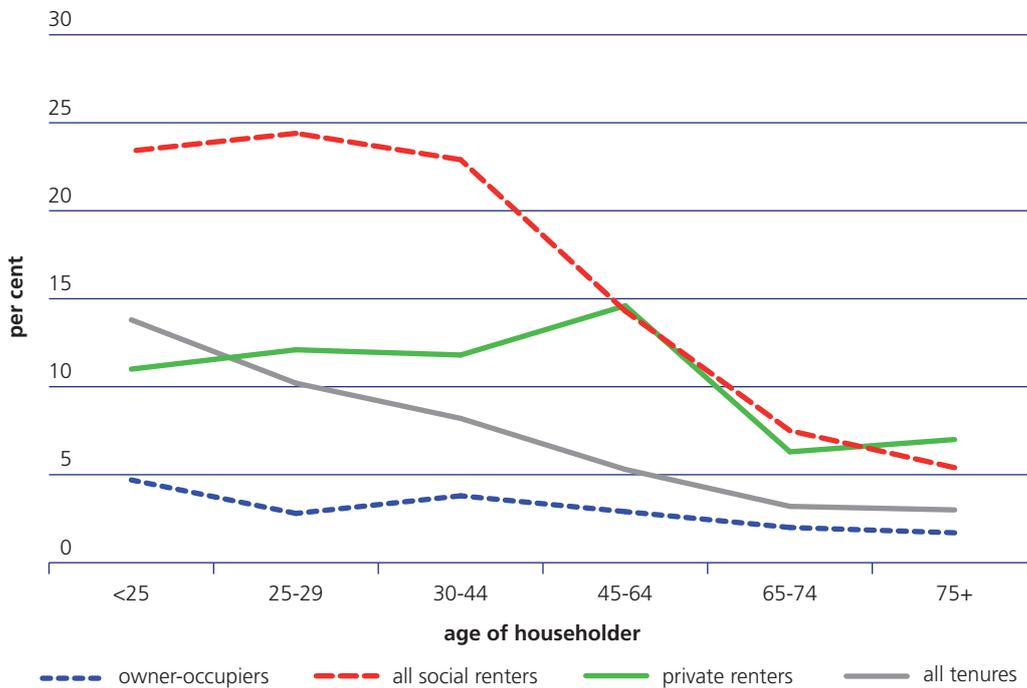
economic return) was that it had reached £6.6 billion across in England as a whole in 2004, slightly higher in real terms than in 1996. Three-fifths of this total went to social tenants in London, the South East and South West. In Northern regions and the Midlands, actual social rents were £10-20 per week below those that would give a comparable return on housing capital values to those in the private sector, but in the East and South East the difference was £40-50, and in London about £70-80.

## **PART 3: HOW ARE WE DOING?**

### **Decent homes? The quality of social housing**

In physical terms, social housing is more likely to meet the new “decent homes” standard than private rented housing, particularly for disadvantaged households. This is partly because energy efficiency standards in the sector are higher, although the low incomes of social tenants mean that they are more likely to be in fuel poverty than those in other tenures. Rates of overcrowding (against the official “bedroom standard”) are higher than in the other tenures, and social tenants generally have less space per person (and this has declined slightly in the last decade). Social tenants are much more likely to report dissatisfaction with aspects of their housing quality (as opposed to its cost or security of tenure) than others, including private tenants, and several aspects of this have deteriorated in the last ten years. One in seven social tenants now say they are dissatisfied with their local area and with their accommodation, one in five with their landlord, and one in four with the standard of repairs and maintenance. Dissatisfaction with accommodation is particularly high for social tenants aged under 45 (Figure S3). It is also significantly higher for black and minority ethnic tenants than white tenants, but this appears mainly to reflect the younger age structure of the minority population: within age groups of social tenants aged under 65, there is little difference by ethnicity. Neither the levels nor the trends in dissatisfaction are particularly encouraging for those who see a main rationale for social housing as being that its landlords are likely to provide higher standards than private ones. Nonetheless, 40 per cent of social tenants say that social housing would be their preferred tenure given a free choice (including owner-occupation), but only 8 per cent of private tenants say the same of private renting.

**Figure S3** Dissatisfaction with present accommodation by tenure and age, 2005–06



Source: Survey of English Housing.

### A price within people's means?

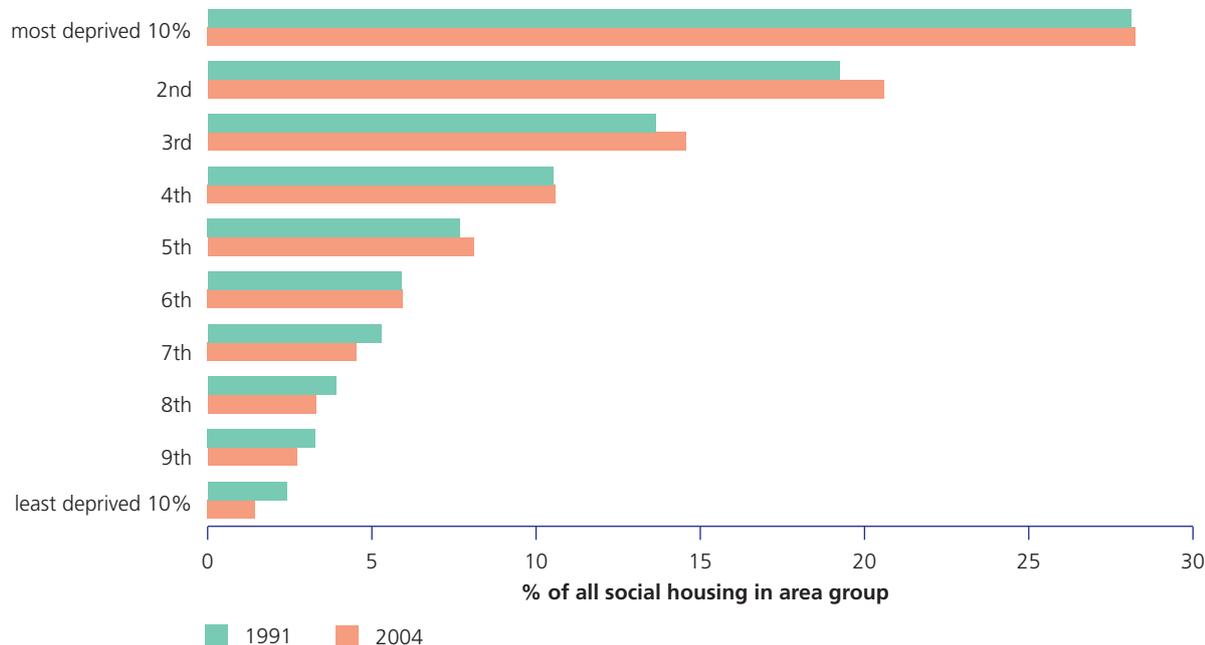
In a minimal sense Housing Benefit makes at least some form of housing “affordable” for even the poorest households, but for a series of reasons, housing costs are still important for what most people would think of as “affordability”. While average house prices have doubled in the last decade, neither private nor social rents have risen fast in real terms, in each case falling somewhat in relation to average incomes. The existence of social housing in particular has allowed its tenants to be protected from the effects of rising house prices. Social rents are significantly below those in the private sector, particularly in London, and have grown less rapidly. Overall, there were more people facing high net housing costs in relation to their incomes in 2003-04 than in 1997-98, but the increases were not so dramatic – the way rents had risen only slowly, the fact that most owners already owned before the house price rise, and lower interest rates all moderated the impact of higher house prices.

Owners and social tenants are assisted by different kinds of support through the subsidy and tax systems, and one could justify at least part (more than half on one set of estimates) of the economic subsidy to social tenants simply on equity grounds by comparison with typical owners. However, the patterns of advantage are very different, with tenants helped most if they have low incomes, but owners benefiting most from favourable tax treatment if they have high incomes.

## Allowing a social mix?

Social tenants are much more concentrated within the poorer parts of the income distribution than in the past. By 2004-05, 34 per cent of all social tenants were from the poorest fifth of the income distribution, and only 19 per cent from the top half. Two-thirds of social housing is still located within areas originally built as council estates. These originally housed those with a range of incomes, but now the income polarisation between tenures also shows up as polarisation between areas. Nearly half of all social housing is now located in the most deprived fifth of neighbourhoods, and this concentration appears to have increased since 1991 (Figure S4). If ensuring that social tenants can live in mixed-income areas is a key potential advantage of social housing, we do not seem to be achieving it. Further, while new social housing developments are smaller in scale than in the past, new building of social housing is still disproportionately in the most deprived neighbourhoods (although in there is now much more private building within them). These areas are far more likely to suffer from problems than others, and for tenants to report neighbourhood problems. In the areas originally built as flatted council estates: more than a fifth of social tenants report the presence of drug users or dealers as a serious problem; nearly a fifth the general level of crime, fear of being burgled, vandalism and litter; and 18 per cent that they feel unsafe alone even at home or outside in daylight. One in seven social tenants in these areas says they are *very* dissatisfied with their neighbourhood.

**Figure S4** Distribution of social housing by 2004 level of deprivation of area, 1991 and 2004



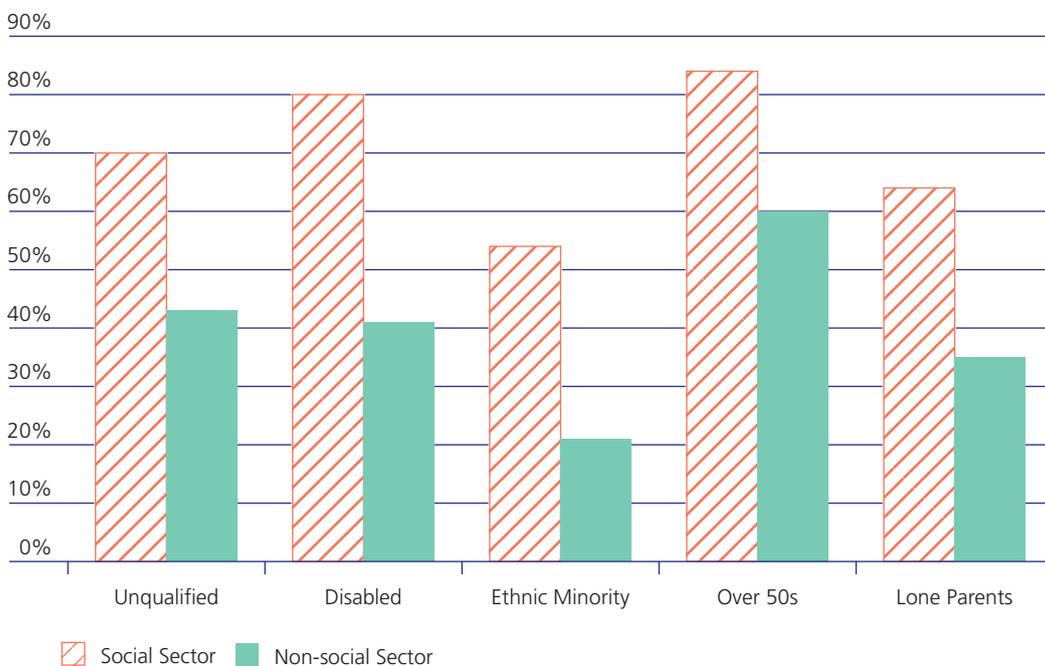
Sources: EHCS, 1991 and 2004.

Note: deprived areas are based on 2004 – Index of Multiple Deprivation ranked decile groups of “lower layer Super Output areas”.

### Supporting mobility and livelihoods?

By Spring 2006 more than half of those of working age living in social housing were without paid work, twice the national rate. Some of this is unsurprising given the labour market disadvantages of many social tenants, such as lack of qualifications or disability. However, this does not appear to be the only explanation: employment rates of those living in social housing with particular disadvantages or with multiple disadvantages are substantially lower than those of people with similar disadvantages but living in other tenures (Figure S5). Even controlling for a very wide range of personal characteristics, the likelihood of someone in social housing being employed appears significantly lower than those in other tenures. There is no sign of a positive impact on employment of the kind that the better incentives that sub-market rents might be expected to give. Potential explanations of this include: the way those with the greatest needs even within any category are screened *into* social housing, but *out of* other tenures; particular fears about loss of benefits on moving into work within the social sector; the location of social housing and “neighbourhood” effects from its concentration in deprived areas; possible “dependency” effects of welfare provision; and the difficulty of moving home to get a job once someone is a social tenant. There is no evidence on the relative importance of these factors, but the rate of employment-related mobility within social housing is strikingly low. Nationally, one in eight moves is associated with work, but only a few thousand social tenants each year move home for job-related reasons while remaining as social tenants (even within the same area), out of a total of nearly four million.

**Figure S5** Worklessness by DWP public services agreement target group, Spring 2006

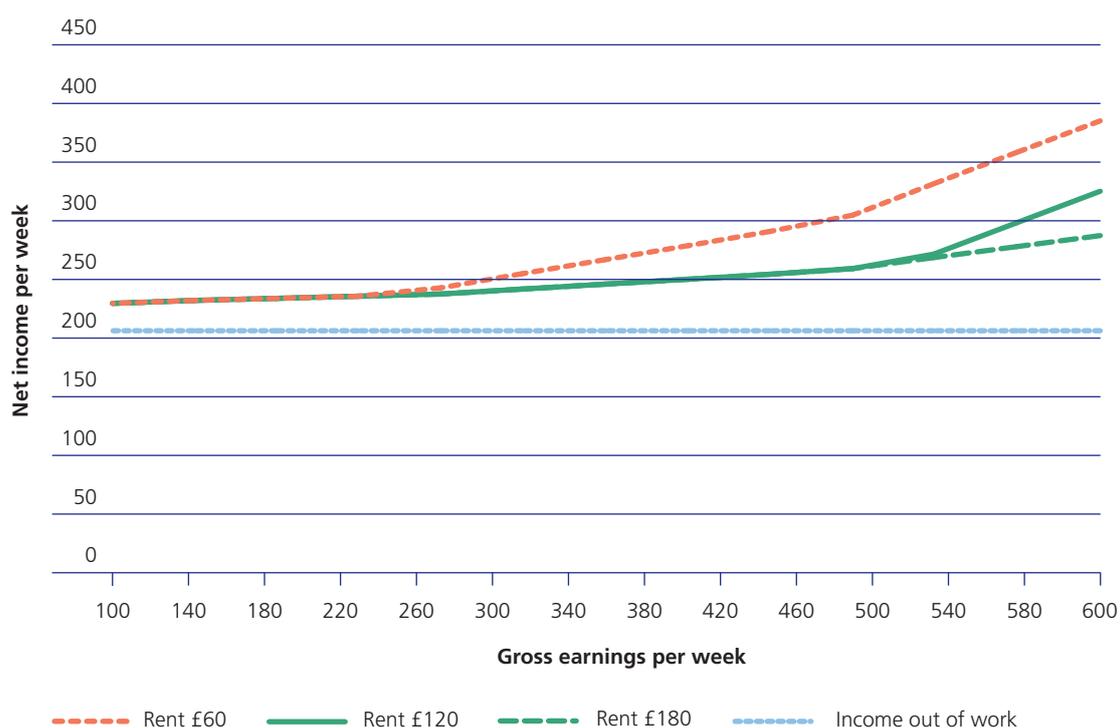


Source: Labour Force Survey.

## Alternative forms of support

People's housing costs are supported in other ways as well as through the provision of social housing (or through favourable tax treatment). Of these, Housing Benefit is by far the largest in scale. While this is by definition well-targeted in distributional terms, it has a significant impact on incentives to work and save. Because of the very steep withdrawal of benefit as recipients' incomes rise, Housing Benefit is a major contributor to the "poverty trap", where people's net incomes rise by only a very small proportion of any rise in gross earnings. The higher the rent paid, the wider this zone. As a result, although the level of someone's rent has no effect on their net gain from working at all, it can make a large difference to their net gain from extra earnings. For example, a couple with two children paying a typical private rent of £120 per week would gain only £23 if their earnings rose from £100 to £400 per week (as a result of reduced benefits and tax credits and higher tax and national insurance). However, if they paid a typical social rent of £60, the gain would be twice as much, £55 per week (Figure S6). For those in temporary accommodation, with very high rents paid through Housing Benefit, these disincentive effects extend to even higher earnings levels.

**Figure S6** Gross and net incomes after housing costs at different rent levels, £/week, 2006-07 (couple with two children)



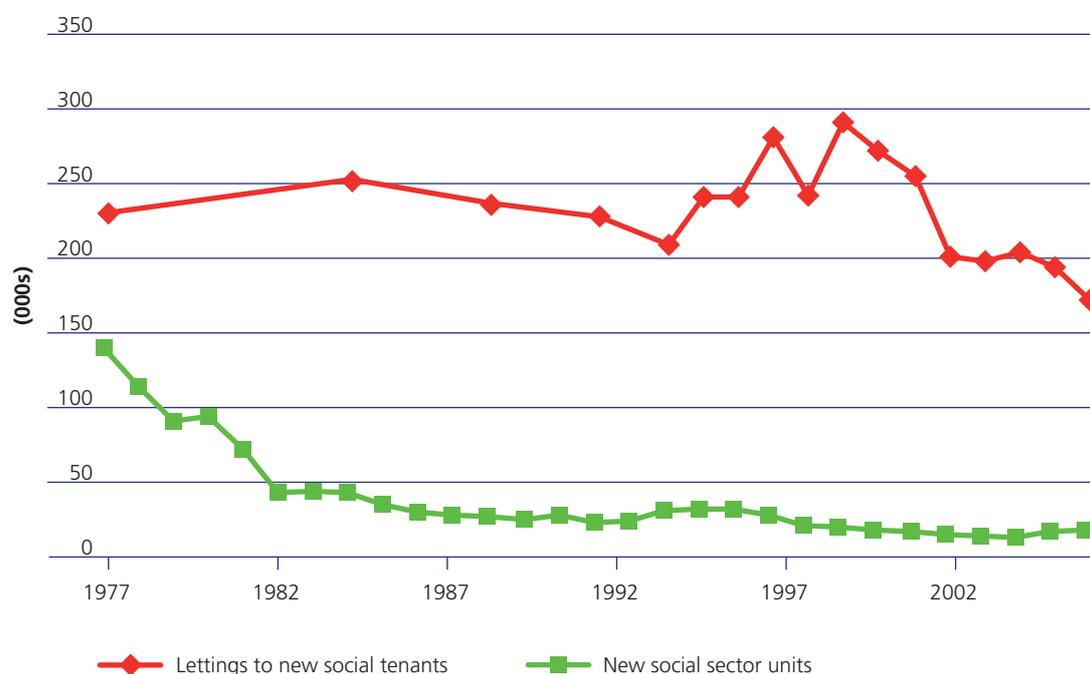
Direct assistance to owners, in loans and grants for improvements and means-tested assistance with mortgage costs (as opposed to through favourable tax treatment) is much smaller in scale. Home ownership is also supported by Right to Buy discounts (which have become more restricted in recent years) and by a series of Low Cost Home Ownership schemes, which allow people to purchase just part of the value of a property. The first of these has had a major effect on the housing market, with nearly 1.9 million social homes purchased under it or related schemes since 1980. The total of people helped into shared ownership of one kind or another is much smaller – about 150,000 since 1991.

### **Changing pressures**

Several factors will affect the demand for and supply of housing, particularly social housing, in the next few decades. First, the number of households is expected to grow more rapidly in the 25 years from 2001 than in the previous 25 years. The bulk of this growth is expected to be in single-person households, whose needs will be different from those of larger households. Second, the ratio of house prices to household incomes is at an historic high. Looking ahead, econometric models suggest that an increase in new house-building of the scale now being debated might stop the house price to income ratio rising in the long run, but would not in itself lead to house purchase becoming any more affordable (or less unaffordable) than it is now. Third, a notable feature of the last nine years has been a rapid rise in the proportion of young first-time buyers who are doing so with assistance from family or friends. Those who are assisted can afford deposits that are greater than others by the equivalent of more than a year's average income. As the proportion of the elderly who are owners increases, there is the prospect of housing inheritances becoming steadily greater, potentially fuelling a cascade of housing wealth through the generations, helping to support house prices that would be hard to sustain on the basis of mortgages alone. If this occurs, it will make the position of those outside such a cascade – those whose parents and grandparents are tenants – increasingly difficult.

Finally, part of the pressure on social housing was relieved in the 1980s and 1990s by the supply of vacant properties, resulting from some moving out of the sector and from elderly tenants who died. However, in the last five years the number of lettings available for new social tenants has fallen rapidly – from about 250,000 each year in the 1980s and 1990s to 170,000 in 2005 (Figure S7) – as it has become harder for existing tenants to afford to move out and as the age structure of tenants has become younger.

**Figure S7** Number of households newly becoming social sector tenants in last year, and new social sector units 1977 to 2005



Sources:  
 Lettings to new social tenants: Monk *et al.* (forthcoming), table 5.13 and Survey of English Housing.  
 New social sector units: Communities and Local Government, live table 244.

Both sides of this equation of (uncertain) long-term demand and supply factors would be expected, other things being equal, to increase the pressure on social housing over the coming years.

## PART 4: WHAT ELSE COULD WE DO?

### Fundamental reform options

Given the pressures within social housing and some of the problems arising from its essentially rationed nature, it is hardly surprising that some advocate fundamental reforms that would result in a much more market-based, less rationed system. If rents were closer to “economic” levels, less, or even no, central government subsidy would be required, and social landlords could much more easily increase supply. But such changes could risk losing the potential advantages of social housing outlined at the start of this report. The side-effects of such reform and the higher rents they would entail, particularly in high-cost regions, could be damaging both to promoting work incentives and to achieving more mixed-income communities. They would also have major effects on existing tenants, and it would be difficult to construct systems of compensation that prevented large losses to some (although it is possible to imagine arrangements in which the grant of an “equity share” to existing tenants gave equivalent compensation). However, thinking through ways in which packaging

support for people in different situations in ways that are not limited to traditional social tenancies, begins to suggest directions in which more modest reforms could both increase the options available and make better use of very scarce and pressured resources. The same package is not necessarily appropriate for all those needing housing support in all parts of the country. At the same time, if fundamental reforms are rejected because social housing *potentially* avoids some of the problems of a pure market, it becomes even more important to ensure that it actually *does* do so, and that the problems outlined above are tackled.

### **The experience with recent reforms**

The experience with three particular recent initiatives has been encouraging. The Local Housing Allowance pathfinders have put more private tenants in a position where they can make trade-offs between their housing spending and what they get, simplifying the system, but without evidence that people are choosing unsuitably small accommodation in search of a larger saving. Even within the heavily constrained access to social housing that we have today, “choice-based lettings” have proved popular with applicants, have speeded relet times, reduced turnover from new lettings, and have saved local authorities money as a result. The “preventing homelessness” strategy, through opening up simple low-cost options such as rent deposits, advice, mediation and support has led to a significant fall in the number of people pursuing the statutory homelessness route of access to social housing.

These initiatives have several things in common. At their heart they treat those in need of housing support in a more adult way – moving towards a system where people make more of their own choices from a wider range of options, providing support when people need it. In particular, they do not start from the assumption that there is a single solution, to be chosen by administrators on behalf of those who make it to the end of a rationing process. The progress they have made suggests that such principles could be applied more widely.

### **The importance of the existing stock**

Much of the focus of the policy debate and of social landlords is often on the flow of new units, and the treatment of new entrants to social housing. Yet even over a ten year period, what happens to the existing stock and current tenants will be far more important in determining the success of social housing. A stronger focus on the existing stock and current tenants highlights both the advantages of recent policy shifts that have meant more attention to the physical condition of existing property, but also of getting management right in a way that reverses recent trends in dissatisfaction. At the heart of some of the problems is the limited “exit” power of tenants paying sub-market rents, who cannot take their subsidy with them. To tackle this, the varied options for tenants to use more “voice” power need to be strengthened. As the recent Tenant Involvement Commission put it, a “dream landlord” would first and foremost get the basics right, but would then “go the extra mile” in offering genuine choice to tenants. Social landlords report themselves increasingly constrained, however, in the choices that they can make between, for instance, rents and levels of service.

## Mixed-income neighbourhoods

If we are to ensure that social housing is no longer located in predominantly low-income areas, it is not enough just to ensure that this is true of the comparatively small amount of newly built stock (although this is of course important to avoid replicating the mistakes of the past). Six approaches could contribute to achieving this within the existing stock:

- Large-scale remodelling and rebuilding may sometimes be the only alternative, but its high cost and the impact on existing residents and communities make it of limited use as a way of improving the income mix in the areas where a large proportion of social tenants live.
- Examining the way allocations and access policies work to try to reduce the extent to which they are sometimes an engine of polarisation, even within the social housing stock. The positive experience with choice-based lettings could contribute further to this.
- Like-for-like sales and purchases (such as in the Joseph Rowntree Housing Trust's Selling Alternate Vacants on Estates scheme) or using the proceeds of market renting of existing properties to finance purchases in other neighbourhoods to diversify the stock of social landlords.
- In different parts of the country there is potential to use vacant land within predominantly social housing areas to bring in both new stock for sale, low-cost home-ownership or market renting through infill and to generate resources to improve the existing stock or provide new affordable housing.
- Retaining higher-income tenants through high quality management, improving neighbourhood conditions and services, and diversifying the options open to them. Their retention could be seen as success in making the sector genuinely one of choice, rather than as a failure of "targeting".
- Most fundamentally, however, the income mix within an area will be changed, if the incomes and employment prospects of existing residents can be improved.

## Supporting livelihoods

The report suggests five directions in which housing-related policies might evolve to give better employment outcomes for social tenants and from the resources involved in providing social housing. The first four of those could occur within the existing framework for providing social housing, the fifth would mark the start at least of a more radical shift.

- *Housing Benefit*: Both tenants' and sometimes employment staff's knowledge of how Housing Benefit operates can act as a barrier to seeking work, if people do not know that it may continue in low-paid or part-time work. Less rapid adjustment of entitlement to changing circumstances could help both stability of income on a move into work and reduce the administration involved. The financial inclusion

benefits found in reverting generally to paying Housing Benefit to private tenants rather than to private landlords suggest a case for re-examining whether this should be extended to the social sector.

- *More integrated support:* Housing and employment support tend to operate in separate boxes, but often what initially appears as a housing problem may have its roots in problems in the labour market. For some young people, for instance, combined employment and skills support with accommodation of the kind offered by foyers may be more appropriate than routes to a permanent social tenancy. For others, the stability and sub-market rents that social housing offers should help work incentives, but both housing “enablers” and employment services could capitalise more on these advantages, as some current experiments are beginning to do. Initiatives such as the Department for Work and Pensions’ “Pathways to Work” pilots have shown the value and cost-effectiveness of personalised support for people with labour market disadvantages. From the employment perspective, paying for temporary accommodation through individual Housing Benefit at sometimes very high rents gives unhelpful disincentives for those who may end up living in it for several years.
- *Local employment:* There is clearly more potential for public services of all kinds, not just housing, to generate local employment. Social landlords can be important partners in neighbourhood regeneration programmes designed to improve links to work and skills. Initiatives such as the Working Neighbourhoods pilot show the potential for employment initiatives to work at a neighbourhood level, but also the issues involved in their implementation.
- *Mobility:* Job-related reasons (including, for instance, potential childcare support) and the fact that an existing tenant transferring within the existing stock creates a vacancy behind them could be included as factors in establishing priorities for who can move. Expansion of “choice-based lettings” onto a basis that covered wider areas, building on the experiments already taking place in parts of the country would also help mobility to some extent, but within what remains a heavily rationed system.
- *More fundamental reforms:* Thorough-going reforms to increase social rents to much less deeply subsidised levels could reduce the rationing constraints within which social housing operates. However, in high-cost regions, this could greatly extend the poverty trap and worsen work incentives. In relatively low-cost regions, the impact on incentives would be much smaller, although even in such regions very careful design would be needed to cope with higher cost areas within them and to offset impacts on existing tenants.

### **Offering a varied menu**

One of the frequent calls in discussions for this review was for there to be a more varied “offer” to prospective tenants than the standard secure tenancy, and for social landlords to offer a wider range of housing options, as some are doing already. Looking at the scale of different kinds of housing support at present, there appears in particular to be considerable scope for broadening the scale of intermediate options involving partial equity purchase.

Under present arrangements there are large differences between the values of purchase rights open to different kinds of social tenant, raising problems of equity and complexity, and sometimes acting as a barrier to mobility within the stock. A radical option would be to review ways in which common equity purchase rights could be applied across social housing on common terms. The generosity of the terms available would depend on policy-makers' key objectives: simply offering a more flexible alternative to the value of remaining as a social tenant might imply less generous terms than historic Right to Buy discounts; positive encouragement might imply systems where any equity purchase was matched with a grant of additional equity in a more generous way than implied by neutrality.

Offering a "more varied menu" to tenants and prospective tenants applies at two stages:

- At the point where someone presents themselves as being in housing need, for some, a route through to a traditional social tenancy may be most appropriate, but for others, quicker, more flexible support may be the most appropriate way of meeting their needs. For those with some margin above the ability to pay a social rent, low-cost home ownership options may be both preferred by them, but also cheaper than the long-run cost of social housing.
- For existing tenants, a system of regular review every few years could run through whether someone's circumstances had changed to allow them to take up a different part of the "offer". This could range from saving through additional payments on top of rent, to part equity purchase. Subsequently, some could benefit from the ability to "staircase down", to draw out part of their equity when they needed it. Eligibility for such options could be used as an incentive to avoid rent arrears or other problems, as with the Irwell Valley Housing Association's "gold service" scheme.

With more varied options, advice and support in navigating through them is crucial. At the same time, if social landlords are playing more varied roles (which some already are), issues arise of how to establish a regulatory structure that protects the interests of tenants, while allowing such diversification, which it would be helpful for the Cave Review to examine.

### **Conclusions: Ends and Means**

Social housing plays a crucial role for nearly four million households in England. It gives many families stability and security in a fundamental part of their lives. The quality of housing it provides is usually significantly higher than tenants with low incomes could afford in the private sector. The existence of social housing has protected affordability for its tenants even while real house prices have doubled in the last decade. Social landlords often play a leading role in the renewal and regeneration of some of the most deprived parts of the country.

In one sense, then, the answer to the core question asked of this review, what role should social housing play in 21st Century housing policy, is clear: there is no reason why social housing should not continue to play this vital role, and in considering policy change its benefits should not be put at risk. However, the evidence suggests that in terms of some of the key reasons for using social housing to achieve housing policy aims, the outcomes are at present disappointing. In part this reflects the sheer pressure the sector is under as

alternatives become less affordable and as the supply of social housing available to relet declines. But more could be done to achieve better outcomes for existing tenants and for others in housing need.

This report suggests four directions where debate is urgently needed about the most effective ways in which policy could better achieve the underlying objectives of social housing and of housing policy more generally. In particular, what can be done:

- To increase the attention given to the existing stock and tenant population?
- To support more of an income mix within existing communities?
- To support the livelihoods of tenants and others in housing need?
- To offer a “more varied menu” for both prospective and existing tenants?

One of the encouraging aspects of the discussion is that making progress in one direction is not necessarily in conflict with progress in another. Indeed, some potential objectives may reinforce one another. Promoting and sustaining mixed-income communities may help reduce negative “neighbourhood effects” and improve labour market integration. Measures that support the livelihoods of existing residents help the income mix within the areas where they live. Offering a wider range of options to existing residents as their circumstances improve could hold in some people with the greatest economic potential. Offering a wider range of options to those newly presenting with different degrees of need may both allow available public resources to stretch further and better meet varied preferences and needs.

How far policy moves will depend on priorities and, in some cases, on available resources. But if social housing is to fulfil its potential, new approaches are needed. At their root we need to move beyond an approach where the key function is one of rationing and trying to establish who is *not* eligible for social housing to one where the key question is “How can we help you to afford decent housing?” and “Here are your options”. Within this, housing in itself is not the only issue. The overall policy aim may remain achieving “a decent home for all at a price within their means”, but historically we may have given too little attention to the last part of that – doing enough to support people’s livelihoods and so boosting the *means* at their disposal.



