



## **Response to Professor John Hills Review of the Role of Social Housing**

### **1. Background**

- 1.1 The Northern Housing Consortium (previously the Northern Consortium of Housing Authorities 1974 - 2002) was established in April 2002. It is an independent non-party political, membership organisation working to improve and promote housing services across the North. Its 202 members include Local Authorities, Registered Social Landlords (RSLs), Large Scale Voluntary Transfers (LSVTs), Arms Length Management Organisations (ALMOs) and other organisations involved in housing.
- 1.2 The Northern Housing Consortium is governed by its members, who between them manage over 86% of social housing in the North, over 1.3 million homes. These organisations are drawn from the three Northern Government Office regions of the North East, North West and Yorkshire & Humberside, as well as the Housing Corporation (North).
- 1.3 The Northern Housing Consortium welcomes the opportunity to contribute to the debate on the future role of social housing. It is a good time for us to reflect on the role of social housing and renew our thinking to ensure that we tackle the trends which have contributed to problems now evident in social housing, and deliver against the challenges of the future. This is particularly relevant in light of the tightening fiscal climate and forthcoming Comprehensive Spending Review. In our response we will consider the role of social housing in the North and how it has been shaped by current housing policy. We will then consider the future role of social housing and recommend how policy can address the opportunities and challenges for the North.

### **2. What is the role of social housing in the North?**

- 2.1 The social housing sector is large, the North has 29% of the English population yet it has 33% of social housing. The following characteristics shape the social housing sector in the North:-
  - 53% of England's most deprived places
  - Only 11% of national affordable housing resources
  - An older than average housing stock with 18% of homes built before 1919
  - An ageing population

- 2.2 Social housing currently plays a significant and vital role in the housing market in terms of creating decent, affordable housing for all. The Government's vision of safe, secure, vibrant and sustainable mixed communities, thriving local economies and places where people choose to live is one which cannot be achieved without the contribution of social housing.
- 2.3 In the past the view of the North has been one of low demand and abandonment. Whilst this has been the reality in some areas, there are many parts of the North in which there are real problems of affordability. In the last 2-3 years incomes in the North have risen by 9% whereas housing prices have increased by 52%, and by 2011 house price inflation in the North is expected to outstrip national house price inflation. Research by the University of York in 2005 highlights a significant intermediate housing market (households with incomes too high to qualify for housing benefit and too low to buy a home at the lowest quartile price). The golden triangle area of North Yorkshire, rural commuter areas of Northumberland and the South Lakes area of Cumbria are highlighted as the hotspots of affordability in the North. But affordability is not just an issue in these high value areas. In many areas e.g. the city regions and former coal mining areas house prices are out of the reach of average incomes. Social housing provides access to decent housing for this intermediate market. Demand is increasing in the North and is expected to continue to do so. The number of households is predicted to grow - particularly co-habiting couples and single person households, and the population is ageing. New building rates cannot keep up with the continually increasing demand for housing. At the same time research may show that 82% of people aspire to own, but at current prices only a proportion can realistically achieve home ownership. Evidence in the North is showing that the market for social housing is widening to include existing home owners and customers who would traditionally have gotten onto the first rung of the property ladder, but are increasingly unable to do so because of lack of affordability. A recent survey by the Citizens Advice Bureau showed that many people do aspire to home ownership, but may not be in a position to afford to own their own home. 19% of people who rent, or around 2.6 million people, say they would like to own their own home but don't anticipate ever being able to afford it. Social housing therefore has a vital future role in the housing market to provide affordable housing and meet future demand. The Select Committee Inquiry into Housing Supply and Affordability recommended that social housing makes up the shortfall in supply and recoups the significant losses of the last 15 years. In its response the Government recognises that the gap between growth in demand and supply is not sustainable, and that whilst social housing supply has increased it is not enough.
- 2.4 Historically building rates have been higher than household growth in the North leaving a problem of 'wrong supply' in weak and failing housing markets. Social housing providers are tackling 'wrong supply'

by improving decency rates and contributing to the transformation of markets by tackling poor quality housing, environmental improvements and providing a choice and mix of housing through the provision of new affordable homes. The North's track record on achieving decent homes in social housing is impressive, there are around half as many non-decent homes in the social sector compared to the private sector in the North.

2.5 The North has a long track record of innovation, with many new ventures emerging in the social housing sector. Housing providers, particularly housing associations, are diversifying business beyond their traditional role as a social landlord towards a social investment role by enhancing their contribution to economic performance through investment in jobs, training and skills. But at a neighbourhood level organisations are developing community anchors such as schools, community health care facilities, libraries, parks and open spaces, community facilities, transport and retail developments. In addition to the shared outcomes, on for example health, criminal justice and education, which social investment brings, engaging the community in the development and management of these community anchors, which transcend tenure, is enabling communities to unite and work together. These activities are enabling the increase in market value which results from improvements to infrastructure to be captured and used as a lever for private finance, which in turn supports more inclusive communities. Local authorities and housing providers are working strategically and in partnership with the voluntary sector to provide a range of services to the vulnerable alongside other community benefits. Social housing providers are experienced in partnership working and in the joint commissioning of services, providing a model for many other public services.

2.6 Increasingly the market has widened because social landlords, in particular RSL's, are planning for a greater share of the market by improving quality and design, increasing access to housing and offering a greater range of products and services. Evidence also shows that in some areas social housing is overcoming stigmatisation and becoming a tenure of choice to a wider market. Evidence from the Oldham and Rochdale housing market renewal pathfinder shows that displaced owner occupiers and tenants of private landlords are choosing to rent from a social landlord. Experience is showing that marginal owners, or those whose homes have a market value which enables debts to be repaid and a new start made, are choosing to rent. In the renewal estates of Sunderland new rented homes, which have been built to exceptionally high standards, are raising aspirations and challenging the traditional view of social housing. Again there is evidence of owner occupiers choosing to rent these homes rather than buy.

### **3. What are the policy challenges in delivering a social housing sector fit for the 21<sup>st</sup> century?**

- 3.1 It must be noted that the issues raised in this paper partly relate to macro-economic policies. Policies have contributed to the problems in social housing and create large difficulties which the sector alone cannot overcome e.g. the welfare benefit system, tax system and structure of the labour market. That aside, the overarching challenge to the social housing sector is to tackle deep seated stigmatisation by redesigning the product, the tenure and the service to develop social housing into the tenure which a greater mix of people will choose and aspire to. This is about addressing the negative aspects of social housing, delivering excellence in the sector and promoting its successes. Transforming the view of social housing as tenure of choice will ensure it has a sustainable future.
- 3.2 Government housing policy in recent decades coupled with the boom in the housing market has widened inequalities between the rich and poor, and has reinforced the stigmatisation of social housing and social segregation resulting in large concentrations of poverty and vulnerability in the sector. Current government housing policy of promoting home ownership whether or not personal circumstances or income are appropriate reinforces the perception that the social rented sector is the tenure of last resort, and does not provide mechanisms for the poorest to achieve their aspirations. The role of social housing is perceived to be a step up to owner occupation for those who are able, and a safety net for the vulnerable. There are currently very few mechanisms to assist tenants with support needs to access home ownership. Government policy therefore has contributed to leaving those who are unable to buy, for a variety of reasons, in a residualised social housing sector.
- 3.3 The social housing sector in the North houses some of the most vulnerable in society. The challenge is to tackle the link between social housing and unemployment/benefit dependency. This is not about removing the link between social housing and vulnerability but rather addressing social exclusion and disincentives to work and empowering people to make their own choices. Whilst social housing clearly provides a safety net for the vulnerable, it should not be a trap but a means to support the vulnerable to achieve their aspirations too, whether that is independent living, full time employment or shared ownership. Of course, to truly have an equal choice, this would need to be coupled with support to have a voice, navigate the system and therefore exercise more informed choices. Unemployment and poverty is a major hurdle and a challenge which the social housing sector alone cannot tackle e.g. structural issues of benefit dependency, the regressive tax system and the hour glass structure of the labour market which do not allow for easy mobility out of poverty. However, the role of the social housing sector is key in developing financial inclusion strategies, investment in local economies to create new jobs, support

social enterprises and develop skills and training opportunities to enable residents to increase their income and achieve their aspirations.

- 3.4 The challenge to the sector is also in tackling social and spatial polarisation by breaking up mono-tenure and mono-type estates, creating mixed communities and encouraging community cohesion. We must develop more flexible tenure opportunities and make better use of the planning system for mixed communities. The guidance is there and organisations are finding ways of maximising the social housing element of new developments particularly in high value areas. But we need to make better use of planning in all areas and to disseminate this good practice wider we need to develop model agreements to engage with the private sector early in all circumstances. However the key issue is not just planning for mixed communities but managing them. As organisations develop mixed communities we must develop robust management techniques, evaluation of the impacts and dissemination of the lessons learned in maintaining sustainable mixed communities.
- 3.5 To better contribute to our economic aspirations, social housing has to be more accessible and must facilitate greater social and geographical mobility for those who choose it. The key issue here is not mobility per se, but choice and accessibility. Enabling greater mobility is in part dependant upon providing a range of flexible housing options, in terms of property types, tenures, sizes and locations, at prices and rents that are appropriate to the local area. Social housing must cater for various household types – those who are vulnerable, those with low incomes, those with average/middle incomes, and high earners, in communities that have the assets/amenities to meet their needs. The perception of social housing for those individuals who are vulnerable, social excluded and economically inactive centres on the key issue of accessibility i.e. those in the most need are eligible. Moving away from needs based assessment towards greater choice e.g. through choice based lettings (CBL) is making social housing accessible to a more diverse range of citizens. However, CBL only has a limited impact. The key barriers to social and geographical mobility lie in inequalities in education, income, health and employment, all of which can be compounded by poor housing conditions. These wider issues need to be tackled to allow for greater social and geographical mobility, and social housing providers are best placed in the market to do this.
- 3.6 As social housing providers increasingly look outwards and become social investors they need support at the highest levels and throughout Government so that the innovation and outcomes are both encouraged and disseminated to a wide audience. The prominence of their role in building sustainable communities in its widest sense must be celebrated, but also underpinned by real support not only from DCLG but from the Treasury, Home Office and DWP – indeed all those departments upon which housing has an impact. By joining up this support and acknowledging the cross cutting role of social housing real

partnerships can be developed. This will send out a clear message to all about the very positive and important role of social housing.

3.7 Driving up standards in service delivery is a key challenge in transforming the social housing sector and requires a radical approach based on joint working to deliver positive outcomes. Too often social housing is seen as a sector plagued by apathy and paternalism where customers have no voice, no choice and ultimately no power. People judge public services with a strong sense of place; they want consistency and delivery based on positive outcomes. This has profound consequences for the social housing sector; the challenge is not just to transform services but to improve quality of life and that is about the public, private and voluntary sectors joining up service delivery not only from the perspective of a common purpose, but common processes and outcomes. These are the relationships which need to work to deliver at a local level. There are many drivers for transforming service delivery, not least rising customer expectations, technological advancements and the growth in regulation. Double devolution and delivery of the Respect agenda will help to create the environment in which people take responsibility to drive forward improvements. We must do everything to support choice, empower customers to have a voice and engage in the decisions that affect them, create opportunities for rapid feedback and most importantly act upon that feedback. Predicting and responding to the housing market, putting the customer at the centre and reshaping service delivery around them is essential to address stigmatisation and create a sustainable social housing sector.

3.8 Design is one opportunity to develop a new ideal of 'home' in social housing. Social housing makes up a large percentage of the built environment and its design forms part of the character of our neighbourhoods and places. Social housing providers must be at the forefront of creating desirable and energy efficient homes through innovation and excellence in design, technology, efficiency and use of materials. Design has been often overlooked due to formulaic needs based assessments and driving efficiencies. Whilst there is a need for efficiency and the best use of assets, it is a mistake to compromise design. Designing social rented homes to a higher standard so that one cannot tell who owns and who rents is essential. Allowing flexibility to cope with changes in living, working and learning time will also contribute to improving the image of social housing and its contribution to economic growth e.g. equipping social housing homes of the future with the latest technology to support social and economic mobility. Reducing the impact of social housing on the global environmental crisis and creating homes which are cost effective and environmentally sustainable will be a hook to attract a new type of environmentally conscious consumer. Attention must also be given to entrances and thresholds which provide security but also determine our sense of welcome and of home. The use of innovative and durable

materials can create a new visual identity for social housing, offering residents a strong sense of ownership over their neighbourhood. Communal spaces which are welcoming and comfortable will encourage social interaction and the sense of community. But it is important that design is formulated with the involvement and consultation of the community to better reflect need and aspiration. Failure to do so will repeat mistakes of the past, when the post war mass production of social housing resulted in the untested and ultimately un-durable design of homes and common spaces contributing to the cause of problems in social housing.

3.9 Decent homes is not enough. Investment in social housing through the decent homes standard is impressive and some in the sector are making improvements beyond the standard. The North has a particularly strong record on delivery of decent homes. But the current decent homes standard has a narrow focus and we must reach even further to avoid the need for another decent homes standard in 2020 by continuing to invest in homes and broadening investment to create desirable communities. Social housing providers are contributing to the delivery of this wider agenda e.g. through neighbourhood management, local area agreements and the liveability agenda. Underlining the importance of the neighbourhood environment, recent research by Shelter showed that the quality of neighbourhoods ranked higher than tenure in housing choices. To ensure that this is consistent and wide spread enough to make a difference local authorities must provide the strategic support, commitment and direction to the creation of places where people choose to live. As the sector responds to the Governments decent communities and place making agendas we expect to see social housing becoming a more attractive choice. By co-ordinating these initiatives social housing providers will be able to create the conditions in which private investment will be maximised. Creating strong and sustainable communities, and truly place making is the level of transformational change required which will lead to lasting association of the social sector with success.

3.10 The scale of change needed requires significant levels of resources, which in part requires a commitment from Government in the CSR07 and beyond. Equally the sector must think creatively about how they make use of their existing assets, and look outward towards the private sector. There is much financial capacity in the social housing sector but it is not always being made best use of. That is about local authorities taking a strategic lead on delivery, partnerships and performance, and all organisations sweating their assets e.g. making best use of land, cross subsidising social housing through the development of non housing related activities, using reserves to unlock potential. But the challenge is also in developing long term partnerships with the private sector beyond the scheme by scheme approach. Partnerships which grow returns over the long term will

enhance the long term benefits for the community by investing in not only the housing but the social and economic capital. The private sector recognises the long term need for social housing and the excess demand over supply means there is profit over a long horizon. The credit rating of the social housing sector is strong, it is considered very safe, presents low risk and high prospects of return in the long term. The sector is also highly regulated. These qualities encourage the private sector, therefore there is a clear need to protect and preserve those opportunities by modernising and improving the sector to ensure that these investment grade opportunities remain available.

## **4.0 Policy Recommendations**

4.1 The issues raised in this paper require a degree of 'culture shift' in the sector. Whilst there is evidence of this occurring around the North, there are a number of policy tools which would assist in modernising the product and transforming the social housing sector towards choice and aspiration rather than last resort.

### **4.2 National issues**

- Commitment to the role of social housing in creating sustainable and thriving communities in the North, and a commitment to investment which reflects regional priorities.
- Recognition that the North requires different solutions to the South and within the North, flexibility to develop a more sophisticated approach to delivery which allows interventions and approaches to be shaped by regional circumstances
- Macro level marketing campaign, re-brand of social housing at a wider level, but coupled with micro marketing at neighbourhood level
- Government support for long term funding partnerships and development models for local authorities, housing providers and the private sector
- Incentives to encourage best use of assets and access to clear rewards
- Develop an outcome based performance framework for social housing to deliver consistency and higher satisfaction
- Development of early years policies and engagement of young people to influence the next generation of social housing tenant

### **4.3 Regional issues**

- Better alignment of housing, economic, transport and planning strategies at a regional level and use of those priorities to target resources.
- Robust links within regional policy to ensure the optimum alignment of housing and planning strategies with the Regional Economic Strategy will ensure that housing and economic policies compliment one another. Housing can then make a greater contribution to economic development and economic policy can have a greater impact on quality of life and social exclusion. E.g. ensuring that through new construction and redevelopment, every household is linked to a

broadband infrastructure with space left for any technological developments will assist in transforming the sector and in meeting the aims of national and regional economic policy.

- Regional funding allocations (RFA) should be extended to cover, amongst other things, skills and workforce development.
- Encourage development of asset backed vehicles

#### 4.4 **Sub-regional and Local Authority issues**

Stronger leadership and delivery at local authority level is required with support for partnerships across local authority boundaries and within natural housing market areas. Opportunities to operate outside the HRA and use assets and income streams to assist borrowing. Initiatives and pilots to encourage joint working and ensure services are joined up. This could be achieved through the development of common sub regional approaches for example:-

- housing, planning, transport and economic principles and policies
- approaches to land use and greater understanding of the LA's role in facilitating more entrepreneurial approaches to investment (asset sweating and use of public assets as a lever)
- delivery partnerships/collaborations
- approaches to stock condition and investment
- neighbourhood level need and aspirations research
- tools to develop shared services across sub-regions based on quality of service delivery, efficiency and customer satisfaction, and greater opportunities to influence public service delivery
- increasing accessibility through sub regional or regional lettings with better access to information about choices in the market.
- neighbourhood design and place making – definition and targets
- investment in the social infrastructure e.g. through asset based policy tools to encourage training and skills development, equity shares in special purpose vehicles to develop new schools etc.
- standards for community improvement and a common toolkit for neighbourhood assessments which effectively measure the additionality from non-housing activities and improvements in neighbourhood sustainability
- multi-agency approaches to sustainable places
- advocacy services to enable the most vulnerable to access services and empower them to voice their opinions e.g. housing and support brokerage services to assist people in navigating their way around services and neighbourhoods enabling greater input and greater mobility.

#### 4.5 **Social housing providers**

- Longer term funding cycles to create certainty and optimum conditions for private sector investment, coupled with flexibility to allow schemes to be developed in quick reaction to changing need.
- Cross Government support, recognition and promotion of the vital role of RSL's as social investors.

- Toolkits for the development of services which support people into work e.g. financial inclusion projects, affordable child care services, skills and training packages, supporting social enterprise
- Model agreements for development with the private sector and toolkits to assist organisations in identifying and securing private finance
- Challenges to encourage innovation in quality, design and technology.
- Flexibility to develop community lettings on mixed schemes, ensuring that social housing is not only available to those who fit the legislative definition of being in “housing need”.
- Flexible tenure options which allow people to acquire a home by renting or buying on a sliding scale and allowing them to switch between tenure as their circumstances change.
- Pilots to encourage small-scale wealth/asset accumulation – without the need for home ownership. E.g. Using the rent system to provide opportunities for tenants to accrue savings. Such an alternative to buying a home could provide equity with less risk in fragile markets.
- Single allocations/sales process for social renting, sales and shared ownership.
- Tools and incentives for RSL's to develop affordable home ownership for the vulnerable with support in terms of mental capacity advocacy services.

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