Allocating social housing: opportunities and challenges

John Thornhill

Chartered Institute of Housing

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Chartered Institute of Housing
Octavia House, Westwood Way, Coventry, CV4 8JP
Tel: 024 7685 1700
Email: customer.services@cih.org
Website: www.cih.org

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Editor: Abigail Davies – Head of Policy (CIH)
Author: John Thornhill – Senior Policy and Practice Officer (CIH)

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1 Summary of the challenges and options

‘Social rented housing is an asset of great significance to the country, to local communities, to families and to individual people. It provides an essential part of the welfare safety net that supports many of the most vulnerable in our society. It provides a firm foundation, with the security and stability that can help people to overcome disadvantage and to build successful lives for themselves and their families. And it can help to create prosperous, healthy local communities, as part of a balanced housing market.’

Introduction

CIH would like to invite anyone with an interest in housing and communities to reflect on and engage in an open discussion on options and challenges around the way in which social housing is allocated. The focus of this report is on how social housing is allocated in England, but there are wider issues for discussion which relate to housing and approaches to social welfare across the UK.

The aims of this report are to:

- Support debate about challenges to existing approaches to allocations and to stimulate ideas about new approaches to allocations
- Develop a robust understanding of options for new approaches to allocations and their likely implications for households, communities, organisations and government
- Inform emerging practice in allocations within organisations
- Contribute to national and local policy development around approaches to allocations in the social rented sector.

This report is not a comprehensive statement of CIH policy. It is designed to introduce and explore a spectrum of diverse views from the across sector and to explore approaches from different countries. It shows that rethinking social housing allocations is not straightforward and that it should be set within the context of a more holistic review of what social housing is for; and how this interfaces with the wider housing market and approaches to social welfare.

The emerging legal and political context

The election of a new coalition government in the UK ushers in a new era of change and reform which will impact on housing sector. The Decentralisation and Localism Bill will be central to devolution of power to councils and neighbourhoods and will give local communities control over housing and planning decisions. The idea of the Big Society envisages a greater role for local groups and community action. The Welfare Reform Bill will drive major changes in the welfare system and create new programmes to move people off benefits and into employment.

A summary of the challenges

The way in which allocations is approached now causes some problems and prevents others from being addressed. Different ideas for reforming approaches to allocations have been put forward over the years, but changes have generally been incremental. The stance of the new coalition government suggests that the reform of social housing allocations may be back on the political agenda.

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About the social housing sector

- In 2008, 17.7 per cent of all households lived in the social rented sector
- The social housing sector is varied. It includes local authority providers, stock transfer organisations, arms length management organisations, housing associations and co-operatives. There are variations in the types of housing provided by different social landlords which reflects different types of housing need
- Social housing creates a lasting contribution to the physical housing stock for future generations: there were 3.9 million social homes of which approximately two million were owned by local authority and approximately two million by housing associations
- Over the last 25 years the social sector has become much smaller as a proportion of the total of all households. The proportion of social renting households has fallen from 19.5 per cent in 2001 to 17.7 per cent in 2008
- 62 per cent of households in the social rented sector receive housing benefit
- 29 per cent of tenants of working age in the social rented sector are economically inactive
- Conditions in the social housing sector have markedly improved in recent years: the proportion of homes meeting the decent homes standard had risen to 73 per cent in 2008.

What social housing is for

- Anyone can seek a tenancy in social housing, however, in most parts of the country there are insufficient homes in the social rented sector for everyone who might want one
- For this reason, social housing providers will identify and publish the criteria by which they will determine which households gain access to social housing
- Through the allocations process, social housing in England has a pivotal role to play in providing accommodation for the most vulnerable people in society (e.g. homeless people, single parents, people with chronic and long-term illnesses)
- Social housing currently offers a strong and valuable safety net for vulnerable groups. It provides for priority need homeless groups, a legally-enforceable right to ‘suitable’ temporary accommodation which lasts, in most cases, until ‘settled’ housing becomes available
- In addition to its role in meeting the housing needs of vulnerable people and those with low incomes, social housing has broader social and economic roles in terms of area renewal and economic regeneration, supporting social cohesion, and tackling worklessness and unemployment
- There is a tension between the roles of social housing in terms of meeting acute housing need and contributing to broader social and economic wellbeing because of the shortage of supply of social housing units
- Social housing had a historical role in addressing housing shortages
- There is lack of clarity between the ‘social goals’ of affordable housing provision and ‘social housing’ by tenure: not all housing which has a ‘social’ goal has to be provided by a social housing provider.

Social housing demand and supply

- Demand for social housing persistently outstrips supply
- Housing demand is uneven across England and across neighbourhoods. Similarly economic opportunities and social disadvantage are unevenly distributed across social housing in England
- In a constricted economic climate, funding to deliver the housing aspirations outlined in the 2007 housing green paper will not be maintained. Alternative approaches to securing additional investment in the delivery of social housing, and alternative approaches to the way in which social housing is allocated need to be explored

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• The issue of under-occupation in the social housing sector has been identified as negatively contributing to constricted supply
• In addition, there are 7.2m households on incomes between £12,000 and £25,000, known as inbetweens, who are unable to access social housing and whose housing options are often limited to the private rented sector.

Polarising poverty and disadvantage

• An allocations process based on ‘need’ has resulted in concentrations of the poorest and most disadvantaged people in society living in social housing
• This process of residualisation (the concentration of social and economic disadvantage by tenure) is made worse by spatial segregation (that is concentrations of disadvantage in particular areas); and stigmatisation (the negative labelling of individuals and groups living in these areas).

Lessons from other countries

• Different institutional structures, providers and funding mechanisms for social housing operate in other countries
• Lessons from other countries would indicate that tenure and ownership of the housing stock is less important than the way in which social housing is allocated
• Compared to other countries in Europe, England is not typical in having legally enforceable rights for housing for households deemed to be in priority need
• In many countries, a more localised approach to allocations is taken and lettings are prioritised on the basis of locally defined needs.

A summary of options

There are different options which look beyond allocations and have wider impact on housing markets and public finances:
• In an era of constrained public finances, looking for new ways to fund the development of new social housing will require inventive approaches from government, funders and providers
• A more flexible approach to allocations could help social housing to offer greater choice, meet people’s housing aspirations and respond more flexibly to changing personal circumstances
• Improving physical mobility could support local economies by improving tenants’ access to work. Improved tenure mobility for existing tenants could help make better use of the social housing stock (e.g. reducing under-occupation), improve satisfaction and quality of life, and give existing tenants a greater sense of fairness
• Greater emphasis on local lettings could enable local authorities and their partners to concentrate on addressing the housing needs and wider social and economic needs of an area
• Additionally, it has been suggested by some housing commentators that adopting a more customer focused subsidy system in the form of more personalised support (personal housing allowances) could take pressure off the social housing sector by facilitating greater access for low income households to different housing options.

Improving the allocation of social housing requires us to look beyond the allocation itself. The options available are wide ranging and have potential to fundamentally change landlords’ use of social housing as well as tenants’ experience of accessing and living in it. If reform of allocations is to be pursued, then detailed and open discussion of options and consequences is essential. This report is a first step to supporting and generating that debate.
2 What is social housing and what is it for?

‘Robust discussion is needed about who is allocated social housing, how lettings are prioritised, and how the overall system interfaces with support and housing options. The role and purpose of social housing needs to be clearer, taking into account but thinking beyond existing statutory duties. Rethinking the allocations framework could help the system to work better and allow wider groups of people to access the sector’.3

The roles and objectives of social housing have changed over the past sixty-five years. Michael Harloe makes the following observation: ‘Social housing has been socially constructed and reconstructed several times in its history’.4 He emphasises that in America and Europe, social housing should be understood in terms of two principal models which have gone through different phases: mass and residual. Harloe argues that mass social housing is exceptional and specific to post-war housing need, and that the residual role of social housing is the norm. The current approach to social housing is broader than the residual role. This section will explore the diverse roles of social housing.

What social housing is and what it is not

It is let at sub-market rents to households

Historically, most social housing providers in England have conducted their housing activities on a ‘not for profit’ or ‘limited profit’ basis with some public subsidy

It provides a safety net for vulnerable households

It is allocated according to administrative criteria on the basis of a concept of ‘need’

It contributes to wider affordability in the English housing market

Social housing is not defined by public ownership: social housing is often supplied by non-statutory organisations and sometimes by the private sector

It has played a historic role in reducing housing shortages in England

Who lives in social housing?

Over the past thirty years the role of social housing and the way in which it is provided has changed. The sector as a whole has declined in absolute and relative terms and it also changed considerably because of government policy supporting home ownership. Mullins and Pawson describe a process of public management reform in social housing characterised by the promotion of customer focus and user choice which has been achieved through the right to buy, and the proliferation of provision amongst different providers and the extension of choice-based lettings (CBL).

In England, the social housing sector provides accommodation to some of the most vulnerable people in society: 70 per cent of social tenants have incomes within the poorest two-fifths; social

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3 CIH (2008) Rethinking housing, Coventry, CIH
tenants have high rates of disability, are more likely to be lone parents, single people or aged over 60. In addition a quarter of all black and minority ethnic householders are social tenants.

- 68 per cent of households in the social housing sector have an income less than £15,000 per annum
- The median gross income for households in social housing in 2007/8 was £10,900, compared to £29,200 for owner occupiers\(^5\)
- 62 per cent of households in the social housing sector are in receipt of housing benefit
- 31 per cent of households in the social housing sector are of retirement age.\(^6\)

The wider importance of social housing for communities and the economy

The social housing sector provides a welfare role in terms of supporting the poorest and most vulnerable people in society. It also contributes to wider social and economic agendas:

- Social housing plays an important role in the creation of mixed income and mixed tenure communities and can contribute to local economic and entrepreneurial opportunities. Research recently published by the Homes and Communities Agency (HCA) has shown that housing associations invested over £209m on almost 900 projects between 2003 and 2008. The projects supported a range of education and training opportunities, as well as jobs and enterprise. The involvement of social housing providers in social and economic activities can prevent wider social costs\(^7\)
- Workless households are often concentrated in particular neighbourhoods, including areas of social housing, where worklessness and poverty are part of a cycle of disadvantage: including ill-health, crime, substance abuse, lower levels of attainment at school and family breakdown
- The role of social housing providers and their partners in improving economic activity in an area can lead to lower rent arrears, falling levels of crime, less child poverty, less illegal drug misuse and lower incidences of anti-social behaviour
- Social housing has a key role to play in promoting community cohesion: many social landlords actively promote understanding and good relations between people who have different backgrounds and experiences, and this enhances the quality of life in local areas
- Finally, in terms of asset value and turnover, the social housing sector represents an extremely valuable resource. Figures from the TSA for housing associations alone show Gross Book Value of the sector’s assets standing at £94.6 billion and turnover for the sector standing at £11.6 billion in 2009.\(^8\)

The diverse roles of social housing in England

The value of social housing can be estimated in different ways because it performs different roles for different constituencies. Balancing these varied objectives can be extremely difficult. Given that the demand for social housing persistently outstrips supply in most parts of the country, multiple demands on social housing can create considerable tension for policy makers, funders and providers and frustration for people who live and aspire to live in social housing.

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7 For example, see CIH HouseProud 2010 Campaign: http://www.insidehousing.co.uk/pictures/index/e/k/g/14012010143823HouseProud-stats-1000.gif
The different roles of social housing

1. Meeting housing need

Through the allocations process, social housing in England has played a key role in meeting housing need and in providing accommodation for the most vulnerable people in society. All local authorities are required by Section 167 of the Housing Act 1996 to have an allocation scheme which enables them to determine priorities and define procedures to be followed in allocating accommodation. Local authorities do not have to administer a housing register: this duty was abolished by Section 14 of the Homelessness Act 2002, however, most local authorities continue to maintain a register.

Within an allocations scheme, priority or reasonable preference should be given to:

- People who are homeless (within the meaning of Part 7 of the Housing Act 1996) except if deemed homeless because the local authority had to have regard to a ‘restricted person’
- People accepted as eligible for assistance, homeless or threatened with homelessness, in priority need and unintentionally homeless (including anyone accepted under Part 3 of the Housing Act 1985). Includes persons who were given advice and assistance to find their own accommodation which they are now occupying, but excludes people deemed eligible because the local authority had to have regard to a ‘restricted person’
- Homeless people who are not in priority need but whom the local authority has used its discretion to rehouse except if local authority had had regard to a ‘restricted person’
- People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions
- People who need to move on medical or welfare grounds; and
- People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others). Due to, for instance:
  - A need to access medical treatment
  - To give or receive care
  - To take up employment or training opportunity.

Additional preference categories

In addition, priority in the allocations process may be given to particular people within the reasonable preference categories who have urgent housing needs. The 2002 statutory allocation guidance suggests that additional preference could be given to:

- Those owed a duty as a result of violence or threats of violence likely to be carried out and as a result urgent re-housing is required. This could include victims of domestic violence or racial harassment involving violence or threats of violence; same sex couples who are victims of harassment involving violence or threats of violence; or witnesses of crime who would be at risk of intimidation leading to violence or threats of violence
- Those who need to move because of urgent medical reasons.

2. A transferrable welfare asset

Many academics have viewed social housing as one of the five principal components of the welfare state along with health, education, social security and personal social services. This is not an uncontroversial view. Malpass argues that links between social housing and the welfare state are superficial and the immediate post-war commitment to mass public housing building was more pragmatic than ideological. The war introduced restrictions on private developers and in the aftermath of conflict, the public sector had the co-ordinating capacity to rebuild the nation’s damaged housing stock. In a 1965 White Paper the then Labour government justified the expansion of council house building programmes strictly in terms of short term expediency.

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However, it is difficult not to see a role for social housing in terms of supplementing principal objectives of the welfare state. If a primary role for social housing is in meeting housing need, a secondary question is on what basis should it be allocated? Two points are worth considering:

- Housing need looks set to increase unless the supply of social housing increases proportionally, there will never be sufficient stock to meet demand
- If social housing fulfils a wider role as a welfare asset, should this asset be transferrable from one household to the next as housing needs change? Given that the supply of social housing is constrained, is a more flexible approach to allocations necessary?

3. Creating sustainable communities

In addition to its role in meeting the housing needs, social housing has broader social and economic role in terms of area renewal and economic regeneration, supporting social cohesion, and tackling worklessness and unemployment. Sustainable communities are characterised by a range of integrated social and economic factors including health and wellbeing, education and schools, training and employment. Under new statutory guidance issued by CLG local authorities are encouraged to develop their allocation schemes to support broader public policy outcomes. This has the potential to support a number specific objectives and outcomes at the local level, including:

- Strengthening community cohesion, particular in areas where tensions are known to be associated with the way housing is allocated
- Encouraging greater social and economic mobility of social housing tenants
- Broadening choice and wider options for prospective tenants
- Ensuring the most efficient use of the housing stock
- Responding to employment or skills needs specific to the area
- Creating more mixed communities and addressing the long-term sustainability of neighbourhoods
- Developing and maintaining balanced and stable communities
- Attracting a broader customer base
- Addressing specific issues at the neighbourhood level, such as anti-social behaviour and high-turnover through prioritising use of local lettings policies
- Countering misconceptions as to the apparent unfairness of the allocation process.

4. Delivering choice

Extending choice in public services is a major theme in public policy making in England. It is seen as an important mechanism to raise standards in public services through increasing contestability, (e.g. choice for the consumer and competition between providers whether within or outside the public services), within and between service providers. Choice-based lettings (CBL) were introduced in England by local authorities and housing associations over the past decade. Harborough DC devised a system called Harborough Home Search (HHS) which was designed to replace a points based allocations system with a lettings service which would encourage greater customer choice. This choice-based lettings scheme was based on the so-called ‘Delft Model’ in operation in parts of the Netherlands. CBL schemes allow applicants to apply for available vacancies which are advertised widely. Applicants can see the full range of available properties and can bid for any home to which they are matched. The successful bidder is the one with the highest priority under the scheme.

10 The government’s national strategy for neighbourhood renewal: A New Commitment to Neighbourhood Renewal (2001) envisaged sustainable communities as embracing three dimensions: social progress: health, education and training and housing quality; economic growth: social investment and employment; and environmental protection: energy efficiency, land-use and environmental awareness.
11 ibid
The last government’s five year housing plan: *Sustainable Communities: Homes for All* (2005) set out a target to replace conventional allocations schemes with CBL by 2010. More recently the last government has set out to extend CBL coverage by including low cost home ownership and properties to rent from private landlords as well as encouraging CBL on a regional and sub-regional basis. As at February 2010, CLG reports there are 260 live individual local authority based CBL schemes. In addition, there are 57 individual CBL schemes in development. There are also 34 live sub-regional schemes and work is progressing on a further 20 projects.

There is considerable tension around allocations and wider policy objectives in terms of extending choice and transforming places. Parallel government priorities to promote sustainable communities and to effectively respond to homelessness can result in practical conflicts. For example, pressure to re-house homeless households rapidly can work against attempts to rehouse a mix of waiting list, transfer and homeless households and to be able to meet the housing needs of local people. These tensions are articulated by Shelter in the 2005 report, *A question of choice* which found some evidence of vulnerable groups missing out within choice-based lettings.

Finally, the personalisation agenda in Health and Social Care is having a significant impact on the way in which housing providers provide homes and services to their customers. Approximately one third of all social housing tenants are over sixty years of age and many people living in social housing have a long-term illness or a disability. The personalisation agenda challenges housing providers to be able to offer people a choice in how and where they live and to offer a menu of services. Alongside this, DWP is currently carrying out a review of Local Housing Allowance (LHA) pilots which will be published in Autumn 2010. LHAs have aimed to increase choice and personal responsibility for claimants and to reduce barriers to work.

# Social housing allocations systems in England

**Prioritising need**

Local authorities are no longer required to distinguish between degrees of housing need, or to provide applicants who fall within more than one reasonable preference category greater priority. Instead, local authorities are now only required to make a distinction between applicants who meet the requirements of the reasonable preference categories and those who do not.

Section 167 (2A) of the Housing Act 1996 allows local authority schemes to take into account other factors for the purposes of determining the relative priority of applicants with similar housing need or who are assessed to be in the same reasonable preference category. Used effectively this provides authorities with a valuable opportunity to use factors that take account of and reflect local circumstances, are driven by the needs and aspirations of local people and support wider strategic drivers to shape and deliver sustainable communities. Examples given in the legislation include:

- The financial resources available to a person to meet their housing costs
- The behaviour of an applicant which might affect their suitability as a tenant
- Any local connection (within the meaning of section 199 of the Housing Act 1996) which exists between a person and the authority’s district.

**Taking a strategic approaches to allocations**

A local authority allocations policy should be part of a housing strategy for the area which includes:

- **A lettings plan:** This should comprise estimates of the supply and demand for different types of accommodation and an analysis of how the demand can be met, including general priorities
- **Arrangements with other providers of housing**: Formal and informal arrangements with housing associations and organisations in the voluntary and private sectors
- **Advisory services**: Information and advice is needed to prevent homelessness and on rehousing options for applicants on the housing register
- **Joint working**: There is increased emphasis on joint working across local authority areas and even sub-regions to meet housing need. Joint working can involve:
  - Common housing registers or common approaches to choice-based lettings by all social landlords in a given geographical area
  - Multi-borough choice-based lettings schemes such as Home Connections
  - Common exclusion policies between local authorities and their partner housing associations
  - Nomination agreements and arrangements.

**Summary**

**Social housing contributes to sustainable communities**
- Can be viewed as a transferrable community asset with a key aim to bring a wide range benefits to communities
- Social housing is a key tool in achieving economically, socially and environmentally sustainable neighbourhoods?

**Challenges**
- Insufficient social housing stock means prioritisation in this area could mean people in ‘need’ cannot get access to social housing
- Could other providers fulfil this role: e.g. private providers?

**Social housing supports welfare**
- Is its primary aim to meet housing need?
- If housing is a key part of social welfare how should it be allocated?
- Does this imply security of tenure?
- Could a more flexible approach to allocation recognise changing needs?

**Challenges**
- Residualisation, polarisation, social housing seen as a tenure of last resort, negative socio-economic consequences (unacceptable externalities)

**Social housing in England: roles and challenges**

- **Meeting need**
  - Sustainable communities
  - Delivering choice

**Social housing: ‘consumer led’ and not producer driven?**
- Should it be viewed as an asset for individual householders?
- Does choice lead to greater personal investment in ‘home’ and increased customer satisfaction?

**Challenges**
- Insufficient social housing stock means ‘real’ choice cannot always be achieved
- The use of rationing to mediate choice limits choice
- Many vulnerable households, including homeless households, need significant support and advocacy to participate effectively in choice-based lettings

**Social housing meets the changing needs of different households at different times**
- Transferrable welfare asset
- More flexible approach to allocations could ‘release’ social homes to households with emerging need

**Challenges**
- Negative effects of removing security of tenure for some households
- Negative effects on neighbourhoods
- Residualisation, polarisation
- A ‘home’ not a transferrable unit
Social housing has changed

Over the past sixty five years the role of social housing in England and the way in which it is provided has changed.

- In the immediate post-war period, local authorities were principal agents in providing homes in response to the housing crisis of 1 million homes lost through bombing and 4 million damaged. Local authorities had the logistical ability to deliver house building to scale and at speed.

- The social housing sector as a whole has declined in absolute and relative terms and it also changed considerably because of government policy supporting home ownership. 1.8 million social rented homes have been taken out of the sector through right to buy since 1979.

- There has been a lengthy process of public management reform and the promotion of customer choice as a central element of the modernising of housing. This has been partially achieved through the extension of choice-based lettings (CBL).

- Since 1997, public policy has been increasingly driven by the creation of quasi-markets in the social housing sector. The sector has been increasingly transformed through the introduction of market principles including compulsory competitive tendering (CCT) and best value in local authority housing services in the 1990s and the development of private finance initiatives.

- There has been a proliferation of providers of social housing. Since 2004 private house-builders have been able to access social housing grant and the Housing and Regeneration Act 2008 enabled for-profit providers to be registered as providers of social housing.

Key challenges to the way in which we currently allocate social housing?

1. Criticism of a needs focused allocations system

There have been many criticisms made against a needs-based allocations system over the past two decades. These criticisms fall into three major types:

- **Unreliability of housing needs data:** There were 1.7 million households on local authority housing registers across England on 1 April 2008. There was an increase in the number of households on local authority housing registers by 62 per cent between 2002 and 2008. Housing registers are, however, not an indicator of absolute need. This is because:
  - Since 2003 local authorities have maintained open housing registers so anyone can apply to go on the housing register. There are some people on local authority housing registers who have found alternative accommodation or place their name on the list in anticipation that they might want a social tenancy at some point in the future.
  - Housing register statistics are also affected by choice based lettings schemes which can increase demand for social housing through advertising and bidding systems.

- **Perception of ‘perverse incentives’ in the allocations system:** Commentators have expressed concerns that local authority measures to prevent homelessness have resulted in
increasing lettings to priority homeless households which have in turn ‘crowded out’ lettings to non-homeless applicants. Pawson reports that by 2003/04 the proportion of lettings to new tenants accounted for by households accepted as homeless had exceeded 50 per cent in one out of six local authority landlords. This is seen as creating a ‘vicious circle’ where people in housing need may view homelessness as the only realistic route into social housing. Fitzpatrick and Please note, however, that although concerns have been articulated about ‘perverse incentives’ associated with the statutory homelessness system, only 3-6 per cent of adult respondents surveyed said they had applied as homeless because they thought this was the only way to gain access to social housing.

• **Residualisation:** The 2009 Fabian Society report *In the Mix* stated: ‘The chronic under-supply of public housing coupled with a needs-based allocations system, means that public housing is now what might be called a ‘poverty-tenure’ because only the poorest people are filtered into it.’ Similarly, the 2008 Centre for Social Justice report *Housing Poverty: from Social Breakdown to Social Mobility* described high levels of family breakdown, inter-generational worklessness and crime in some social housing estates. In response commentators have identified the creation of mixed income and mixed tenure communities as a key housing policy objective to challenge the stigmatisation of areas dominated by social housing, (the presence of working households and owner-occupiers is said to have a positive ‘role model’ effect on people living in social housing and or people who are not in employment). The creation of mixed income and mixed tenure communities is also said to stimulate local economic and entrepreneurial opportunities. Research for the Joseph Rowntree Foundation (JRF) shows that in case study areas mixed income communities were judged successful and were not characterised by the problems often linked with exclusively low-income areas. The mixed income communities had generally met the expectations of developers, residents and housing managers and had become pleasant places to live, learn and work. In another study it was found that ‘mixing tenures had produced “ordinary” communities and countered tenure prejudice’. ‘Despite some deprivation, demand for housing in these localities had remained high. Resident satisfaction was generally positive. Satisfaction also stemmed from the high quality of the physical environment and the provision of a range of local services.’

In addition to problems associated with a needs focused allocations system, there are wider social and economic factors which are driving a re-evaluation of the way in which social housing is currently allocated.

2. **Overall shortage of housing supply**

The supply of housing across all tenures has not kept up with this rising demand. The English housing green paper outlined aspirations for 2 million new homes by 2016 and a total of 3 million new homes by 2020. The recession and subsequent squeeze on public spending has made these aspirations unlikely. Housing completions have slumped to their lowest level since 1947. Just 118,000 homes were built in England in 2009. In addition, land values have fallen by 50 per cent since 2007 and Savills predict they will not fully recover 2007 values until 2020.

The diagram on the next page shows the cumulative shortfall between household projections and housing completions.

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19 The 2006 Smith Institute report: *Rethinking Social Housing in the UK* highlighted the alleged ‘perverse incentive’ nature of the allocation process. Controversially they state the best way to get allocated social housing is to demonstrate one’s suitability for a life of welfare dependency.


This has had an impact on the delivery of affordable housing across tenures. In 2009/10, there were 56,118 housing completions in England. Prior to the recession fifty per cent of affordable housing in England was delivered through s106 agreements. Since the recession there has been a slowdown in s106 development as residential land values are forecast to decline. Deficit reduction is a key priority for the coalition government. £6.2 billion of cuts have been announced including £780 million of cuts from CLG in the first moves to tackle the UK’s £156bn deficit, ahead of a comprehensive spending review later in 2010.

3. Negative impact of the housing system on the wider economy

Features of the housing system have put adverse pressure on the current system of social housing allocation in England:

- **Affordability:** Between 1992 and 2007, the price of housing in England rose by 250 per cent. House prices have risen almost twice as fast as earnings since 1990 and by 2007 mortgage costs for first time buyers represented on average 34.5 per cent of full time earnings. In 2007, 49 per cent of younger working households in Great Britain could not afford to buy a dwelling in their local housing market. Many mortgage lenders are now reserving their best lending rates for would be purchasers who can provide 25 per cent of the purchase price as a deposit. For the average first time purchase this is now £30,000. Coupled with continued constricted housing supply and sluggish sales, this reduces housing choices and puts additional pressure on waiting lists for social housing.

- **Mobility:** The Hills Review found that rising house prices in the owner occupied sector had made it difficult for tenants in the social rented sector to move into home ownership. This had the effect of reducing mobility and preventing people from moving on from the social rented sector to other forms of tenure.

4. Long term demographic change

Across the United Kingdom the key driver for housing demand remains a growing population and changing demographic base. As with other developed countries people are living longer, settling
down at later ages and separating after initial household formation more frequently. On the back of these social and demographic changes, the number of households being formed, and the nature of these households, has grown and changed markedly. There is a projected growth rate of 252,000 households a year in England. The number of people aged 65 years and over is expected to rise by 43 per cent. The changing size and profile of housing demand will have increasingly challenging approaches to allocations.

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<tr>
<th>Table 2.2.1 Housing projections for England</th>
<th>Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household type</td>
<td>2006</td>
</tr>
<tr>
<td>One person</td>
<td>6,822</td>
</tr>
<tr>
<td>Married couples</td>
<td>9,395</td>
</tr>
<tr>
<td>Cohabiting couples</td>
<td>2,188</td>
</tr>
<tr>
<td>Lone parents</td>
<td>1,663</td>
</tr>
<tr>
<td>Other multi-person</td>
<td>1,446</td>
</tr>
<tr>
<td>All private households</td>
<td>21,515</td>
</tr>
<tr>
<td>Private household population</td>
<td>49,855</td>
</tr>
</tbody>
</table>

Taken from: CIH (2010) UK Housing Review, Coventry, CIH.

5. Disparities between the private rented and social rented sectors

There is a disparity in terms of quality, price and security of tenure between the private rented sector and the social rented sector. This makes it difficult for people to move from one sector to the other. 73 per cent of homes in the social rented sector meet the Decent Homes Standard. By contrast in 2006, 40 per cent of the private rented stock failed to meet the basic decent homes standard. Of these, over 30 per cent could be classed has having category 1 hazards under the framework set by the housing health and safety rating system.31

Similarly, there is disparity in rental levels between the social rented sector and the private rented sector. The average housing association rent in England was £61.36 in 2002/03, increasing by 14.6 per cent to £70.35 in 2006/07. The average private rent in England was £98.58 in 2002/03, increasing by 17.2 per cent to £115.55 in 2006/07.32 In addition, households in the social rented sector have lower average household incomes (£247 per week) than other tenure groups. In 2008, private sector household incomes (£493 per week) were twice as high as social sector incomes.33 Finally, most private sector tenancies will be offered initially on the basis of an assured shorthold tenancy which offers less security than secure or assured tenancies which are the principal forms of tenancy offered in the social rented sector.

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6. Reductions in volume of new social housing lets
The total number of tenancies granted by local authorities and housing associations fell from 371,000 in 1998 to 206,000 in 2008. This reflects the further contraction of the social housing sector due to right to buy, selective demolitions and a slower pace of housing association development. In addition, falling numbers of tenants leaving social housing may result from declining private housing affordability, but also the success of choice-based lettings and decent homes. Wilcox notes that wider housing market factors may be at work here: relet cycles respond to the housing market cycle as affordability constraints reduce the capacity of existing tenants to move out of social housing and simultaneously increase demand from households seeking to enter the sector. As social housing has a key role in meeting housing need, this has serious long term implications for local authorities to meet statutory obligations and additional targets including halving the number of temporary accommodation placements by 2010.

7. Overcrowding in social housing
CLG statistics show high levels of overcrowding in the social rented sector. 5.9 per cent of homes in the social rented sector are overcrowded and this rises to 12.1 per cent in London. This compares to 1.4 per cent of owner occupied homes. A recent report from the Local Government Information Unit and the City of Westminster Council has highlighted the worsening problem of overcrowding in social housing. Historically overcrowding was a feature of housing need in England. The 2001 census found that 40 to 50 per cent of children in the boroughs of Newham, Hackney, Southwark, Westminster, Islington and Camden were living in overcrowded homes. The report expresses concern about the longer term impact of the recession on the development of new homes which will fall well below the new housing ambitions of the 2007 housing green paper. The National Housing Federation predicts that the number of people living in overcrowded homes could rise by 15 per cent to 2.6 million within two years. In social housing, overcrowding can be further exacerbated by low levels of mobility and under-occupation.
8. Perceptions of unfairness and lack of transparency in relation to social housing allocations

A recent poll by Ipsos MORI for CLG found many people perceived the way social housing is allocated to be unfair.\(^39\) Additional research by the EHRC highlighted anxieties about the allocations process putting white British families at a disadvantage.\(^40\) This is despite counter evidence which suggests that that just over a tenth of migrants who arrived in the last five years were living in social housing, making up only 2 per cent of all social housing tenants.\(^41\)

9. What about the people in between?

In broad terms, the housing market in England is characterised by three main forms of tenure: social housing, accessible by those in most need, the private rented sector (PRS) and home ownership for those able to afford it. This leaves a range of people looking for suitable housing options who are not in ‘priority’ housing need but whose income would not allow them to access home ownership.\(^42\) There are 7.2m households on incomes between £12,000 and £25,000 whose housing options are often limited to the private rented sector or living with relatives. The term ‘inbetweens’ refers a range of people, from those at the margins of home ownership to those who have no independent living options accessible to them. This presents major challenges for wider accessibility to affordable housing for many households in England:

- Effective access to social housing is quite limited, and tends to be more limited for people without families who aren’t considered vulnerable
- Private renting does offer a range of rental levels, but even lower end rents can be prohibitive in higher value areas and lower income households can struggle to provide deposits and access good quality housing
- Intermediate ownership products (shared ownership, shared equity, and Rent to HomeBuy) are in most areas not available to people whose incomes are lower than £20,000.\(^43\)

A particular concern is with those within this group who cannot afford to pay market rents for accommodation that is of an appropriate size to meet their needs. These households may be living in private rented accommodation that is unsuitable, or these may be concealed households, that is, adults in permanent relationships staying on in the family home, with relatives or friends.

10. The legal and political drivers to reconsider approaches to allocations?

Recent policy and legislative initiatives have brought the question of allocations to the fore. These can be summarised:

- One of the commitments in the last government’s recent policy document *Building Britain’s Future* was to address rules for allocating social housing, enabling local authorities to give more priority to local people and those who have spent a long time on waiting lists\(^44\)
- In 2009 CLG issued statutory guidance\(^45\) on social housing allocations for local authorities in England. *Fair and flexible: statutory guidance on social housing allocations for local authorities in England* (CLG 2009) restates the commitment that social housing should target those in greatest need and retains existing reasonable preference criteria. However, it emphasises the need for greater clarity and transparency in the allocation process, calls for residents to play a greater role in shaping their communities through the shaping of allocations policies, looks for ways in which allocations can afford greater mobility

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\(^40\) EHRC (2009) *Social housing allocation and immigrant communities*, London, EHRC


\(^42\) For further discussion see Davies A and Lupton M (2010) *Future directions in intermediate renting: a discussion paper* (CIH and L&Q), Coventry, CIH

\(^43\) The average income of households purchasing HCA funded low cost home ownership was £27,851 in England and £33,707 in London in 2008/09

\(^44\) HM Government (2009) *Building Britain’s Future*: ”...by building new and additional homes we can now also reform social housing allocation – enabling local authorities to give more priority to local people whose names have been on waiting lists for far too long”, London, HMSO

opportunities for tenants; and aims to make better use of the existing stock so under-occupied properties are more effectively used\textsuperscript{46}

- The recent Ahmad v Newham\textsuperscript{47} case in the House of Lords which removed the requirement to take into account cumulative need\textsuperscript{48} when prioritising applicants, has highlighted the necessity for additional guidance to clearly establish the flexibilities local authorities have in setting their allocation policies\textsuperscript{49}
- The Equality Act 2010 will require local authorities to give due regard to promoting equality at a local level and tackling socio-economic inequality. The allocations process can play a significant role in achieving this
- The coalition government’s commitment to increase mobility of tenants to make social housing more flexible.

Summary

Summary of the pressures on the way in which social housing is distributed

<table>
<thead>
<tr>
<th>Emphasis on rationing, eligibility, need, exclusion and allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislation: \textit{reasonable preference} categories for allocations</td>
</tr>
<tr>
<td>Schemes</td>
</tr>
<tr>
<td>Regulatory codes of guidance (Homelessness Code of Guidance)</td>
</tr>
<tr>
<td>Waiting lists: emphasis on \textit{eligibility} to join a waiting list, \textit{exclusions} from waiting and \textit{priority} on the basis of \textit{need} within the list</td>
</tr>
<tr>
<td>Local lettings policies: defining eligibility (e.g. key workers) and exclusions (e.g. residency)</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>UK housing market</th>
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</thead>
<tbody>
<tr>
<td>Long term demographic pressure on demand</td>
</tr>
<tr>
<td>\textbf{Affordability} factors leading to constrained choice</td>
</tr>
<tr>
<td>Demand for housing is uneven across tenures and across different housing markets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Constrained Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>\textbf{Shortfall of supply of social housing and legacy of RTB inevitably leads to rationing systems}</td>
</tr>
<tr>
<td>\textbf{Pressures on landlords to make more efficient use of ‘stock’} (e.g. tackling ‘under occupation’)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Emphasis on choice, markets and social and economic mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion of ‘choice’ in housing green paper (DETR 2000) and Choice Based Lettings pilots guidance (CBL) (DETR 2000): emphasis on \textit{transparency} and customer choice</td>
</tr>
<tr>
<td>Government policy to create \textit{quasi-markets} in public sector</td>
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<tr>
<td>Supply and demand factors in local housing markets; there are geographical differences in demand for housing</td>
</tr>
<tr>
<td>Policy drivers to create \textit{mixed income} and \textit{mixed tenure} (sustainable) communities</td>
</tr>
<tr>
<td>\textit{Tenure aspiration} for shared and home ownership</td>
</tr>
<tr>
<td>Challenging \textit{perverse incentives} (e.g. better to be in ‘need’ to get on a list) and \textit{adverse effects} (e.g. residency requirements excluding immigrants)</td>
</tr>
</tbody>
</table>

46 By comparison in Scotland, tensions exist in allocating tenancies and in balancing all the needs groups against those of homelessness, particularly in the light of referrals made under section 5 of the Housing (Scotland) Act 2001. These tensions led to the development of a Scottish Government Allocations Policy Working Group which examined all angles of allocating tenancies in Scotland and determined that the issues were less to do with the legislation and more to do with interpretation and understanding. As a consequence, the guidance linked to allocations is being completely revised and will offer landlords more practical approaches to managing allocations. Work has begun on the revised guidance, which will be out for consultation early summer, with the final guidance being available by the end of 2010.

47 www.publications.parliament.uk/pa/ld200809/ldjudgmt/jd090304/newh-1.htm
48 In 2002 the Court of Appeal ruled in the case of Lambeth LBC v Lindsay that local authorities must take account of number of ‘reasonable preference’ grounds that apply in a case and so an allocations scheme must provide a clear mechanism for assessing cumulative need. In Ahmed v Newham this judgement is challenged.
49 The ruling found that, in determining priorities between those with a similar level of need, a local authority could take account factors which are factors not established in the legislation: e.g. local connection, financial capability and behaviour. These factors are not exclusive and additional may be taken into account.
4 How does social housing work in other countries?

Different countries across the developed world operate different approaches to the funding, delivery and allocation of social housing. In this section we will provide an overview of different approaches to allocations in different countries. The advantages of this approach are two-fold:

- It offers opportunities for policy transfer: by comparison the development of CBL schemes in England owed much to the so-called Delft Model of social housing allocations in the Netherlands
- It helps us to reflect on the broader social welfare context in which social housing is provided and to consider different approaches to achieving social outcomes which may not necessarily be housing focused.

International approaches to allocations are presented here without commentary on their effectiveness in operation or their replicability. The essential comparative points are to look at how countries define and address housing need, and the roles and uses attributed to social housing. Different countries have differing views of the role of government and approaches to social welfare. These lead to different approaches to allocations. For example, the historical monopoly of local authority provision of social housing in the UK is very unusual and is rooted in a belief in the need for a strong and active state to protect individuals.

In some European examples we can see how different levels of need are clearly distinguished: there are sub-categories within social allocations to deal with groups which have very particular needs. Whitehead and Scanlon use the term ‘very social housing’ in their comparative study of social housing in Europe.50 This phrase refers to the provision of housing for people with acute need such as homeless people, recovering substance users and people escaping from domestic violence. The term is embraced by but is distinct from ‘social housing’ which has wider objectives such as the provision of accommodation for key workers, regeneration, social cohesion; and is part of a mixed economy of provision including municipalities, not-for-profit housing associations and charitable organisations.

The diagram on the next page provides an illustration of how social welfare operates differently in three different countries; and how social housing provision reflects these differences in understanding.

---

### Scandinavia: Universal or social democratic model
- Welfare system is characterised by universal social rights
- Protection against social risks
- Flat rate benefits
- Comprehensive public services and emphasis on egalitarianism
- Welfare state tends to reduce class and income differences
- Limited scope for private provision of services because of high quality public provision
- Low levels of poverty and income inequality

### Housing
- Large social rented sector dominated by Municipal Housing Companies (95 per cent of social rented sector)
- Broader spectrum of households with different income levels apply for and get social rented housing

### USA: Liberal welfare or residual model
- Residual welfare system which limits eligibility to those in greatest need
- Favours means testing and dislikes universal benefits
- Emphasis on role of the private sector and self-sufficiency
- State encourages the market to act as a co-provider of benefits: private insurance and savings schemes are supported by complementary state policies such as tax credits
- US does not have a unified welfare system
- High levels of poverty and income inequality

### Housing
- Housing system has been termed an ‘ambulance service’
- Emphasis on the temporary nature of housing need
- Limited eligibility to emergency housing
- Often targeted on people with a particular vulnerability such as a disability
- Size of public sector social housing provision is residual
- Models of public incentives for private sector delivery of social housing outcomes

### Germany: Corporatist welfare regime
- Emphasis on public social insurance
- Social benefits are earnings-related
- Allows for private provision of services
- Subsidiarity: services should be decentralised or independently managed
- Low levels of poverty and income inequality

### Housing
- Small social rented sector at 6 per cent of housing stock
- Different social housing providers of which the majority are Municipal Housing Companies
- Income eligibility limits exist, but they are sufficiently high to permit income mixing
- Time-limited social housing with tenure diversification and income mixing as an effect
- Extensive private sector provision

### England by comparison: Beveridge welfare state
- Guarantee of minimum standards, including a minimum income and social protection in the event of insecurity
- Aspiration to deliver good quality services
- Some limited involvement of private sector

### Housing
- 17.7 per cent of households live in social rented housing
- More or less universal eligibility but allocations system prioritises need
- Safety net approach to social housing
- Poorer households heavily represented
- Shrinking social rented sector
- Increased diversity of provision
Social housing in Germany

Key statistics

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupation %</td>
<td>43</td>
</tr>
<tr>
<td>Private rented %</td>
<td>51</td>
</tr>
<tr>
<td>Social rented %</td>
<td>6</td>
</tr>
</tbody>
</table>

Who sets allocations eligibility rules? Central Government but state governments may amend

Who determines eligibility for individual households? Local Government

Who assigns household to dwelling? Landlord

Is there means testing? Income limits at entry

What is the allocations criteria?

- According to individual household needs, subject to regularly adjusted income ceilings
- ‘Access permits’ issued to applicants by municipality (public and private landlords select tenants)
- Vulnerable groups have particular access rights (families facing eviction and potential homelessness, elderly and disabled given highest priority)

In Germany, there are distinct differences in the way in which social housing is provided. The key features are:

- German social housing is market based and private sector provision is the norm. The public sector has subsidised private landlords (mostly large scale) to develop or rehabilitate housing for affordable renting through grants or tax relief. British, American and Japanese pension funds invest in housing in Germany
- Historically these companies have then been required to operate the housing as socially rented properties for a period of time: in the 1970s this was forty years; now the period is 10 to 12 years
- In Germany, the principles of subsidiarity apply whereby municipalities develop their own social housing programmes and decision making is devolved
- Access to social housing is regulated, not open to all. Eligible applicants are issued an ‘access pass’
- The 2001 law on Reform of Housing Regulations including the law on Social Housing Provision has moved funding programmes from the socio-spatial (different types of dwellings) to funding individual care
- Private sector rents in Germany are regulated
- In Germany, municipalities have a legally-enforceable obligation (under police laws) to accommodate homeless persons who would otherwise be roofless. This accommodation normally takes the form of a (low-standard) bed space in a hostel or shelter for single people, or to a (low-standard) self-contained flat for families. There is no time-limit on eligibility.

51 CLG (2007) An international review of homelessness and social housing policy, CLG, London
Social housing in the Netherlands

Key statistics

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupation %</td>
<td>54</td>
</tr>
<tr>
<td>Private rented %</td>
<td>11</td>
</tr>
<tr>
<td>Social rented %</td>
<td>35</td>
</tr>
</tbody>
</table>

Who sets allocations eligibility rules? Local Government

Who determines eligibility for individual households? Landlord

Who assigns household to dwelling? Landlord

Is there means testing? Income limits at entry

What is the allocations criteria?
- Varied approaches: government suggests rather than requires the use of priority need cards to enable vulnerable households to gain access to social housing
- Decentralised allocations system and housing associations focus on priorities at local levels
- Emphasis on choice-based-lettings
- High levels of experimentation and innovation

In the Netherlands, there are distinct differences in the way in which social housing is provided. The key features are:
- The Netherlands has a massive social rented sector making up 35 per cent of the housing stock
- Dutch housing associations are private entities described as ‘private entrepreneurs with a social task’ \(^{53}\)
- Housing associations are free to buy and sell their housing stock to one another and on the open market
- In 1995, the Dutch government wrote off all outstanding loans to the housing sector and gave housing associations complete financial independence. There are no state subsidies to housing associations: they must generate income from rents, sale and other activities
- Allocation decisions are decentralised and housing associations focus on priorities at a local level
- There is rent regulation in both the private and social rented sectors in the Netherlands
- Housing associations in the Netherlands are not responsible for homeless households or vulnerable people
- The Dutch approach to housing allocations is less prescriptive than in England: in meeting the needs of vulnerable groups, the government suggests rather than requires the use of priority need cards to enable vulnerable households to gain access to social housing
- In housing, the emphasis has been on local authorities acting as strategic enablers rather than providers
- In the Netherlands there has been a much greater role for voluntary sector agencies in care and provision. For example, in Rotterdam, CVD (Centrum Voor Dienstverlening) provides a number of community care services including accommodation and support for older, vulnerable people and accommodation for women fleeing domestic violence. In Amsterdam the HVO Foundation provides facilities including accommodation and personal development support for vulnerable homeless people. \(^{54}\)

\(^{53}\) ibid

\(^{54}\) Brown T and Yates N (2005) A comparative perspective in housing, community care and supported housing, Coventry, CIH
Dutch experiments in extending choice

During the 1990s, choice-based letting (CBL) was quickly taken up by approximately 85 per cent of local authorities and their housing associations.

- The KAN experiment: With the aim of increasing choice for customers, a pilot scheme (the ‘KAN experiment’) was conducted in the Arnhem-Nijmegen region in 2001. This experiment abolished selection criteria with regard to income and household size. This meant that anyone was allowed to apply for a vacant dwelling regardless of income or household size. Residency or registration time (the ranking criteria) were used to rank applicants. Evaluation clearly showed that higher income, more mobile groups benefited from the process while it was inconclusive if there was a corresponding detrimental affect on lower income groups; but similar experiments in the the Hague, suggested that low-income households rented fewer dwellings than they had done previously.

- The POL Model: In the town of Dordrecht the POL model aims to contribute to sustainable communities by allowing house-seekers to ‘match’ themselves to a particular dwelling profile. Subsequently, lots are drawn to allocate the dwelling. The model combines elements of CBL, an option system and a lottery model. House-seekers complete a questionnaire to have their ‘lifestyle’ determined by the housing association. The housing association then offers the applicant several clusters of ‘model’ dwellings in a certain area (similar approach to CBL). The applicant takes an option on desired homes and a computer randomly selects candidates from all of the applicants (similar to a lottery model).

Van Daalen, Gelske and Van Der Land, Marco (2008) ‘Next steps in choice-based letting in the Dutch social housing sector’, European Journal of Housing Policy, 8:3, 317 – 328
Social housing in Denmark

In Denmark, there are distinct differences in the way in which social housing is provided. The key features are:

- Danish social housing organisations are owned collectively by tenants. They are legally private organisations raising private finance and competing with other providers.
- Social housing in Denmark has never been a task either for the state or for local authorities; social housing providers are autonomous bodies subsidised and regulated by the state.\(^{56}\)
- Most Danish allocations are made on the basis of time on a waiting list and household size.
- Municipalities have the right to allocate at least 25 per cent of vacant housing association units but not all of these allocations are made on the basis of need: e.g. they could choose to allocate to key-workers. Social housing has historically been seen as a tenure open to all, but like in many Western European counties it is being associated with people higher levels of need.
- There is discussion in Denmark about abolishing building subsidies in favour of personal subsidies and higher levels of self-financing in the social rented sector.

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<table>
<thead>
<tr>
<th>Key statistics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owner occupation %</strong></td>
<td>53</td>
</tr>
<tr>
<td><strong>Private rented %</strong></td>
<td>25</td>
</tr>
<tr>
<td><strong>Social rented %</strong></td>
<td>19</td>
</tr>
<tr>
<td><strong>Who sets allocations eligibility rules?</strong></td>
<td>Central Government</td>
</tr>
<tr>
<td><strong>Who determines eligibility for individual households?</strong></td>
<td>Local Government and landlord</td>
</tr>
<tr>
<td><strong>Who assigns household to dwelling?</strong></td>
<td>Local Government 25 per cent and landlord 75 per cent</td>
</tr>
<tr>
<td><strong>Is there means testing?</strong></td>
<td>This is the decision of local government which usually means means-testing. However, in the two largest local government areas means-testing does not happen</td>
</tr>
</tbody>
</table>
| **What is the allocations criteria?** | • Time spent on waiting list: anyone aged 15 or above can join waiting list
• Priority given on troubled estates by local authorities to people working in the local area (also used to cut down on commuting – ‘green assignment schemes’)
• Municipalities to offer refugees a permanent home within three months |

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### Social housing in France

#### Key statistics

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupation %</td>
<td>56</td>
</tr>
<tr>
<td>Private rented %</td>
<td>25</td>
</tr>
<tr>
<td>Social rented %</td>
<td>19</td>
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<table>
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<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>Who sets allocations eligibility rules?</td>
<td>Central Government</td>
</tr>
<tr>
<td>Who determines eligibility for individual households?</td>
<td>Landlord</td>
</tr>
<tr>
<td>Who assigns household to dwelling?</td>
<td>Landlord</td>
</tr>
<tr>
<td>Is there means testing?</td>
<td>There are three income limits: greater Paris, the remainder of Ile de France and the rest of France</td>
</tr>
</tbody>
</table>
| What is the allocations criteria?                                        | • Allocations are according to need, type of household, means, date order, past behaviour; and ability to pay rent  
• A concept of ‘very social housing’ introduced in 1990 to cater for people excluded from mainstream social housing (aimed at people with low incomes and with difficulties with social integration) |

The key features of the social housing system in France are:

- There are two principal types of social housing provider in France: public bodies funded by local authorities and social enterprises operating on a not-for-profit basis
- Social housing rents are regulated in France resulting in a discrepancy between private sector and social housing sector rents which makes mobility difficult for social rented households
- Approaches to social housing in France are increasingly decentralised: Local housing programmes introduced in 1991 make planning for housing a local responsibility and the 2004 Raffarin Act removed central government interference in allocations
- France has a system of personal housing allowances
- Income limits are set for eligibility for social housing but these are relatively high: the income limit for a standard social housing unit in 2006 was 60,000 euros
- In 2007 new legislation in France introduced a legally enforceable right to housing for ‘priority categories from December 2008 and other social housing applicants who have experienced an abnormally long delay’ from January 2012\(^57\)
- A ‘very social’ sector was established in 1990 to house people with very low incomes or with difficulty in integrating into society. The rent is lower than the standard social housing rent and sometimes allocations are made without full security of tenure.

\(^57\) Fitzpatrick S et al (2009) Homelessness in the UK, Coventry, CIH
### Key statistics

<table>
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<tr>
<th>Category</th>
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<tbody>
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<td>Private rented %</td>
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<tr>
<td>Social rented %</td>
<td>21</td>
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</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who sets allocations eligibility rules?</td>
<td>Landlord and Municipal Housing Companies</td>
</tr>
<tr>
<td>Who determines eligibility for individual households?</td>
<td>Landlord</td>
</tr>
<tr>
<td>Who assigns household to dwelling?</td>
<td>Landlord</td>
</tr>
<tr>
<td>Is there means testing?</td>
<td>No</td>
</tr>
<tr>
<td>What is the allocations criteria?</td>
<td>• All households are eligible to live in Municipal Housing Company homes</td>
</tr>
<tr>
<td></td>
<td>• Dwellings are allocated through waiting lists</td>
</tr>
<tr>
<td></td>
<td>• There is higher representation of lower income households</td>
</tr>
</tbody>
</table>

- Most social housing in Sweden is provided by Municipal Housing Companies: a model of housing provision with some similarities to arms length management organisations in England, but with much greater autonomy.
- Sweden operates a unitary rental market where absence of regulatory barriers to competition between profit and not-for-profit housing providers permits social housing providers to enter into competition with the private rented sector. The effect of this is overall rent-dampening.
- People with severe disabilities have an enforceable right to permanent accommodation: but what is offered is a group home rather than ‘regular’ housing. There is also an entitlement to housing for the elderly.
- A ‘secondary’ housing market exists whereby individual flats are sub-leased by local authorities to tenants housing companies are reluctant to house in mainstream housing. These tenants do not have security of tenure and additional grounds are attached to tenancy agreements, often by social services, requiring tenants to conform to certain patterns of behaviour.
- Housing policy in Sweden has recently been influenced by discussions on introducing a right to buy scheme for MHC tenants, and a subsidy regime which places more emphasis on local housing allowances.
Summarising lessons from other countries

The roles and functions of social housing in other countries can offer some transferrable points of learning for social housing allocations. If we want to take forward allocations reform, we need to look at lessons from elsewhere to understand the possibilities, requirements for wider reform; and consequences of alternative approaches.

- Social housing in other countries reflects the wider context of welfare provision. Stephens et al make the point that there are comparatively higher levels of income inequality and concentrations of poorer and vulnerable households in social housing in the UK. Can social housing allocations be reformed effectively without explicit articulation of its role in welfare provision?
- Germany provides an example of temporary social housing where social outcomes for housing are subtracted from buildings or tenure. This prompts the question ‘does social housing have to be social forever, or could it fulfil social ends for a defined period of time and then revert to private sale or rent?’
- Other countries present examples of a greater proliferation of social housing providers than has historically been the case in the UK. The scale of ownership of social housing by local authorities in the UK has not been characteristic of other countries and there are good examples from Europe of not-for-profit and for-profit provision of social housing by social enterprises (Netherlands) and private sector provision of social housing (Germany). Could increasing the number and type of providers of social housing increase supply and therefore reduce the need for allocations reform?
- The existence of unitary rental markets in countries such as Sweden where competition between profit and not-for-profit housing providers takes place provides an interesting example of approaches to achieving greater parity between the social and private rented sectors. Could the social and private rented sectors be closer together in England?
- A number of countries including France, the Netherlands and Denmark, adopt a more localised approach to allocations and prioritise lettings on the basis of locally defined needs. Can community ownership of allocations policies improve ability to meet local needs and make transparent decisions?
- There are examples from other countries of a comprehensive switch from supply side subsidies to personalised subsidies. Development subsidies do not feature in the Netherlands now and Denmark is considering ending development subsidies self-financing and personalised subsidies. Should we exclusively subsidise household’s ability to pay rent rather than the rents themselves?

The questions identified by making international comparisons are examined in the next chapter, along with other options for reform.

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Rethinking approaches to allocations cannot be done without taking a broader view on the wider housing market. In this section we will look at some recent proposals to change the way in which the wider housing market interfaces with social housing allocations.

1. The supply of social housing

The supply of social housing is one obvious way of meeting increasing demand for social housing. However, current economic circumstances and continuing changes in market conditions have led to negative pressures on the delivery of new social housing. Increasingly the supply of social housing will require increasingly inventive approaches from government, funders and providers. The Homes and Communities Agency (HCA) has announced new programmes designed to stimulate housing supply across a range of tenures, including:

- **Public Sector Land Initiative**: The Public Sector Land Initiative aims to bring publicly owned housing sites forward. Rather than sell land to developers, public sector land owners make their land available for development on a ‘deferred payment’ basis. Completed homes will be transferred to a housing association or to private rental sector Initiative partners, or sold on the open market to individuals.

- **Private Rented Sector Initiative (PRSI)**: The PRSI aims to create an opportunity for investors such as pension funds or overseas investors to enter the private rented sector on a large scale.

- **Local Authority New Build (LANB)**: Local authority new build funding, made Social Housing Grant (SHG) available to local authorities and provides capital cover for prudential borrowing serviced by rental income from the properties. Local authorities contribute land at zero value, the HCA provides grant, and the local authority borrows prudentially against future rental income streams.

**Longer term responses to supply**

Mills and Rowe in their essay for the Smith Institute *Financing Solutions for Growth and Renewal* suggest a number of funding mechanisms which could accommodate longer term infrastructure investment in delivering new housing supply whilst offering incentives to private sector investors. It is worth considering some of these models here.

- **Tax Incremental Financing (TIF)**: This approach is used in many regeneration schemes in the USA. This involves establishing a special purpose vehicle which can capture increases in local taxation and then plough back revenues raised into infrastructure which incentivises developers to invest in regeneration activities. The aim of the TIF is to obtain from developers and local businesses a proportion of new revenues generated by growth and to use those funds to support further local development.

- **Regeneration Infrastructure Funds (RIFs)**: One of the biggest challenges facing regeneration projects is the need to generate considerable levels of investment at a very early stage in the process. This may long precede the commercial development and the possibilities of investment return on commercial activity. RIFs can be a combination of bonds, equity and debt which aim to capture future income streams as a result of development from planning gain supplement, business rates or council tax; which enable investors to recoup their initial investment plus a dividend.

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• **Targeted taxation:** There are major disincentives for private developer investment in terms of VAT on refurbishments and stamp duty on new development. A more selective approach to VAT and stamp duty could incentivise investment in key areas.

• **Real Estate Investment Trusts (REITs):** Real Estate Investment Trusts (REITs) are a vehicle for securing private investment which offer tax incentives to investors. Often this will involve zero taxation on the investment vehicles’ rental income or gains from the sale of investment properties. In parts of Europe and the USA REITs are common as an investment vehicle.

• **Community Land Trusts (CLTs):** An alternative approach to affordable housing and community asset provision could be through Community Land Trusts (CLTs). CLTs can bring about integrated action to meet social, economic and environmental goals by delivering affordable housing, encouraging social enterprise and increasing local governance.

• **Local Housing Trusts (LHTs):** This is a new model of community ownership proposed by the coalition government. LHTs will give power to local people to develop new homes and other space for community benefit, subject to the agreement of the majority of the community. The distinct difference to CLTs would be that development could proceed without a specific planning application as long as certain minimum criteria could be demonstrated to the local authority by the Trust.

In the current environment, it seems that it will not be possible to dramatically increase numbers of social rented homes. Although these new approaches will contribute to providers’ ability to supply new homes, there is no prospect that expressed need and demand for social housing could be met by new supply.

**More effective use of the existing social rented stock**

Given that demand for social housing in most areas outstrips supply, making better use of the existing stock is one approach to improving supply in the sector. Allocation schemes can, for instance, make special provisions for households freeing up under-occupied properties. The extent to which a dwelling is under-occupied can be measured by comparing the number of bedrooms currently rented by an existing tenant with the minimum number of bedrooms a social landlord would be prepared to offer if they were to let them another property.61 Proposals to reform housing benefit for social housing make reform in this area more pressing.

An allocation scheme could be framed so as to allow for priority to be given to households who release a property with more bedrooms than they need and a lesser priority given to households who will release a property one bedroom larger. Advantages of moving to a smaller property could be presented to households willing to move, such as lower rent levels or council tax and cheaper fuel and other running costs. However, it must be recognised that for a household, ‘under-occupation’ may be a deeply subjective term; and many households place a lot of personal and social investment in their homes.62

**2. More effective working with the private rented sector**

The private rented sector can contribute to the wider housing market in terms of delivering new and affordable property supply, securing higher levels of institutional investment, contributing to homelessness prevention and the discharge of homelessness duty; and facilitating greater flexibility and mobility in the housing system.63

CLG emphasises the importance of setting the allocation of social housing in a wider enhanced housing options approach.64 Within this facilitating access and providing more effective advice and

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62 Sinn C (2010) Allocations and local flexibilities, Coventry, CIH
information about different housing options across the sector is necessary; including more effective use of the private sector, low cost home ownership, and mobility schemes which enable applicants to move homes and across districts.

Local authorities’ work with other providers including the private rented sector has historically been considered to be less important than services such as provision of social housing, tackling homelessness, or development control for new housing. However, more effective partnership working with the private rented sector and other third sector can play a significant role in meeting both short and longer term housing need, providing choices for a wide range of consumers.65

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### About the private rented sector in England

The private rented sector is a very diverse sector and accommodation can range from executive housing through bedsits. Similarly tenants can range from wealthy professionals through to unemployed people in receipt of benefits or very low incomes. Landlords can also be quite diverse, ranging from large property companies managing hundreds or even thousands of properties to a person renting out just one flat. 13 per cent of households in England rent their accommodation from a private landlord. This is however a significant decline from its peak at the turn of the last century when some 90 per cent of stock (1914) was private rental accommodation. The size of the private rented sector is however relatively small compared to similar economies: France 23 per cent, US 29 per cent and Germany 40 per cent.

In terms of the profile of people living in the private rented sector, key characteristics include:

- Households were most commonly comprised of single people below the age of retirement
- Professionals and those working in highly qualified technical areas were often private renters
- It has the most ethnically diverse resident profile
- It offers the most flexibility of choice, with many people choosing private sector tenancies because of the mobility it allows e.g. students and people wanting to move because of changing jobs.

It can be however expensive, and even at the cheapest end of the market, there can often be a shortfall between housing benefit and rent levels. In most cases landlords will require a deposit of one month's rent, on top of the actual first month’s rent, paid at the start of the tenancy. For those claiming benefits or otherwise on low incomes, this can provide a serious impediment to moving into the private rented sector.

Nearly two thirds (65 per cent) of privately rented dwellings are owned by private individuals. Private individual landlords typically have other paid employment (65 per cent) and rarely (39 per cent) derive more than a quarter of their income from rent. Most, however, see their property as an investment (73 per cent). Dwellings let by companies and other organisations account for less than one third (30 per cent) of privately rented dwellings. Many company and organisational landlords only have small portfolios of properties (26 per cent have less than 10) and only two fifths (41 per cent) derive more than half their income from rent.

The private sector already plays a key role in meeting the temporary accommodation needs for authorities in connection with their homelessness duties. The sector currently houses almost 57,000 households, over 70 per cent of the total needs in England with private sector leasing (PSL) providing the bulk of this total. Some organisations have built up considerable experience of delivering cost effective PSL schemes for local authorities whilst ensuring that tenants benefit from high standards of management and maintenance.

### Comparative case study: use of the private rented sector in the Republic of Ireland to deliver social outcomes

The social rented sector in Ireland is small at 11 per cent and 70 per cent of social housing in Ireland is procured and managed by local authorities. In recent decades, Ireland has been making effective use of the private rented sector to deliver social outcomes. Through the Residential Accommodation Service, local authorities draw up contracts with private sector landlords to provide housing for people with a long-term housing need for an agreed term. The scheme was designed to counteract concerns about poor quality standards in the private rented sector and spiraling private sector rents.

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65 Davies A and Davis S (2007) Cinderella strikes back: strategic housing and the private rented sector, Coventry, CIH
Key elements of the scheme are:

- Local authorities will pay the full rent to the landlord on behalf of the tenant
- Landlords must register tenancies
- Properties must meet decency standard
- Deposits not required as local authority guarantees
- Irish Republic Residential Accommodation Service enables local authorities to underwrite rents in agreements with a landlord
- It differs from private rented sector schemes in England in that greater security of tenure is offered to tenants which has been a concern in English schemes.

Housing New Zealand Corporation Home Leasing Scheme

The Housing New Zealand Corporation (HNZC) provides affordable housing in New Zealand and it is also the New Zealand government’s main advisor on housing. HNZC operates a Home Leasing Scheme whereby the Corporation will lease privately-owned houses in areas where demand for affordable rented housing is high. HNZC leases provide landlords with stable, continuous and long term rent. HNZC leases from different landlords including individual investors and larger property developers.

The opportunities and challenges of engaging a wider range of providers including the private rented sector can be summarised:

**Opportunities**

- The private rented sector is a growing sector in England and has the opportunity to contribute to affordable housing supply. Over the last 20 years private renting has grown from 9 per cent of the stock in 1989 to around 13 per cent today
- Its variety and flexibility makes it easy for people in work to move around, especially across longer distances
- It offers diversity and choice in terms of property type, character and location (e.g. from pre-1900 property to new built property)
- Obtaining long-term security of tenure is often not the most important priority for people experiencing homelessness – location, neighbourhood and property type are frequently cited as priorities. The private sector can be uniquely placed to meet many of these aspirations
- There are opportunities for large scale institutional investment in the private rented sector
- Increased lettings through the private rented sector would challenge the ‘stigma’ often attached to social housing allocations and contribute to mixed tenure communities.

**Challenges**

- There are major disparities between the private rented sector and the social rented sector in terms of quality and affordability, including: rent levels, security of tenure and standards of management and property condition
- The law relating to private sector lettings is varied and complex (e.g. regulated tenancies, assured tenancies, tenancies outside the Housing or Rent Acts, residential licenses and other types of agreement such as lettings with employment)
- Lettings to tenants on housing benefit account for only 18 per cent of lettings in the private rented sector
- Nearly three-quarters (70 per cent) of those with experience of letting to tenants on housing benefit would prefer not to let to people on benefits, with landlords frequently dissatisfied with the speed of processing claims (60 per cent)

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67 CIH (2008) Review of the private rented sector: CIH response to the review team, Coventry, CIH
• There has not been a history of large scale institutional investment in the UK
• In the current economic downturn there are signs that growing the capacity of the private rented sector may be a challenge: the number of buy-to-let mortgage products has fallen from a high of 3,662 in September 2007 to 185 in September 2009 and both yields and capital values are still relatively low for buy-to-let properties
• Income yields on private rented properties fell considerably during the last decade. Even allowing for the current downturn in value net yields now are still below 4 per cent. These low yields make it unlikely that institutional investors will be attracted.

3. Security of tenure and security of tenancy conditions

Ending security of tenure in the social rented sector could also increase the availability of social housing. General needs social housing is usually allocated securely, e.g. the tenant can keep a social tenancy as long as they choose to if they adhere to their tenancy agreement. Allocations are often made on the basis of a particular moment in a person’s life – a time of housing need which may be temporary or transitional – but the allocations system does not reflect this. Over time, social tenants’ incomes may increase or their ability to secure alternative housing in the marketplace may grow. Given that the supply of social housing is constrained in relation to demand, is a more flexible approach to the permanence of social housing necessary?

Supported housing is accepted to be temporary – an individual receives support within designated accommodation until they are ready to move on to somewhere with less support or fully independent living. Stephen Greenhalgh and John Moss, writing for Localis, have argued that general needs housing should take a similar approach, giving people a level of security that matches the issue they are being housed to address (homelessness, need to access employment etc). They argue that secure tenancies should be abolished because they help to concentrate deprivation, perpetuate overcrowding and under-occupation, and hinder mobility. They further suggest assured shorthold tenancies, of varying lengths, should be used for all rented housing.

In its 2008 report Rethinking Housing, CIH argued for a more subtle approach. This approach would preserve security of tenure but would end the guarantee of a permanent sub-market rent and see tenants actively supported to access other housing options as their circumstances change. It was proposed that this more flexible system could help social housing to offer greater choice, meet people’s housing aspirations and respond to changing personal circumstances. If the terms on which social housing is offered to a tenant are reviewed periodically, the terms can be altered to recognise changes in an individual’s circumstances. If income has increased significantly, additional rent could be charged, or help could be provided to prepare for intermediate or outright ownership. Going beyond the argument made by CIH, a degree of compulsion could be introduced by requiring a tenant to leave if they would not accept these changes in line with their new circumstances. Recent proposed reforms to housing benefit suggest that compulsion could also be introduced if a tenant’s household composition had changed so that they were occupying a home larger than their needs. Tenancy reviews could deliver a greater sense of fairness around access to social housing and could help people to access additional housing and support services; and be more proactive about planning for future housing choices.

Opportunities

• Households are helped to develop a more forward looking and proactive approach to planning to meet future accommodation needs and aspirations
• Some of the problems caused by a constricted supply of social housing units could be reduced by increased turnover

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68 Investment in the UK private rented sector, HMT 2010
69 The Investment Property Databank (IPD), a benchmark for measuring the investment performance of residential let properties in the UK, has consistently recorded net income returns of 3.3 to 3.6 per cent
70 CIH (2008) Rethinking housing, Coventry, CIH
• Enhanced housing options can be cross tenure. This can counter the stigmatisation of social tenancies over and above other forms of occupation, and increase mobility between tenures
• Slightly increased income for housing providers from rents matched to higher incomes, which could be reinvested in new supply.

**Challenges**

• Secure tenancies and lower rents can provide a sound platform through which people can invest time and energy in a community, look to find and sustain employment, and safely and securely put children in to school. Less secure tenancies could jeopardise this
• An end of security of tenure would require a fundamental redefinition of the role and purpose of social housing – moving away from entrenched and familiar approaches
• There is considerable opposition amongst tenants and some housing professionals to reviewing security of tenure
• Could flexible tenure jeopardise sustainable communities by creating excessive ‘churn’ in the sector and de-stabilising communities?
• How could vulnerable people be ‘empowered’ to flourish in a more ‘aspirational’ housing system?

**4. Improving physical mobility**

The link between greater physical and economic mobility has informed debates on social housing since the 2007 Hills review on the future of social housing:

• Hills found that social housing tenants did not move from their tenancy as frequently as people renting in the private sector or owner occupiers. This presented difficulties for tenants aspiring to move home in search of work or training
• In addition, this was coupled with high levels of worklessness in the sector.

Mobility within social housing is restricted, not least because of lack of vacancies and new supply, low priority given to existing over new tenants within allocations systems, low priority given to people wanting to move into an area, lack of suitable alternatives (especially for downsizing), and difficulties to create ‘chains’ of moves.

The Conservative Party shadow housing green paper discussed proposals to encourage mobility which include:

• **Right to Move:** Tenants with a record of five years good behaviour would be given the right to demand that their landlord sell their current property and use the proceeds, minus transaction costs, to buy another property of their choice anywhere in England
• **Re-introduction of a new national mobility scheme for social housing:** This would enable social housing tenants to move within the social rented sector by exchanging properties
• **Foot on the Ladder scheme:** Access to home ownership would be expanded for social housing tenants with a record of five years ‘good behaviour’ - they would qualify for a ten per cent equity share in their social rented property which could be cashed in when they leave the sector.

Since the coalition government came to power, the commitment to support tenants’ mobility through home-swap systems and other schemes has been restated. Iain Duncan Smith has spoken of reforms to enable council tenants who want to move to parts of the country with better job opportunities to move to the top of the housing list in the high unemployment area.

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For moves within a local area, additional approaches already used in some areas are to provide extra points within local allocations for people in employment or training. The challenge would be to balance between meeting the most acute need with discretion to provide incentives to earn points to move up a waiting list.

The opportunities and challenges presented by incentivising greater mobility can be summarised:

**Opportunities**
- Greater geographical mobility could lead to greater economic independence and could therefore support local economies by improving tenants’ access to work
- Improved mobility for existing tenants could help make better use of stock (e.g. reducing under-occupation), improve satisfaction and quality of life, and give existing tenants a greater sense of fairness.

**Challenges**
- The potential implications of a right to move scheme to facilitate mobility might involve social landlords having stock dispersed all over the country with associated management difficulties and increased costs
- If existing tenants who wish to move for economic or social reasons have extra priority within an allocations scheme, homeless households or those with severe medical problems will have to wait longer to access appropriate accommodation.

5. Extending the use of local lettings policies

Local lettings policies are already an important tool to enable social housing providers to respond to specific local circumstances. A 2009 CIH survey of social housing allocations by local authorities in England found that nearly 60 per cent felt that local lettings were making a different to improving and sustaining neighbourhoods. CLG guidance states that while priority for allocating housing must be given to households in the statutory reasonable preference categories, local authorities should reflect local needs and circumstances. Currently local lettings policies are being used to support a range of initiatives including:

- Creating balanced and mixed communities
- Protecting existing stable communities
- Improving community stability and cohesion
- Tackling low demand areas and difficult to let estates
- Tackling anti-social behaviour.

The Think Tank Localis is calling for more radical changes to lettings practices through the prioritising of local neighbourhood lettings plans and changing homeless lettings practices. They call for ‘an end to the prescriptive national allocation system for social housing, moving to local systems which address local problems and much greater innovation and flexibility from local authorities and housing associations in ‘place-making’. The lack of local flexibility afforded by national allocations guidance has led Localis to argue for:

- A repeal of Section 167 of the 1996 Housing Act as modified by Homelessness Act 2002 (reasonable preference categories) and associated guidance and granting local authorities full discretion to set their own local lettings policies
- Amendment to Section 206 (1)b of the 1996 Housing Act (as amended) to enable local authorities to discharge their homelessness duties by using any form of private sector tenancy

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73 Sinn C (2009) Allocations and local flexibilities, Coventry, CIH
• Homelessness should be dealt with as part of a Housing Options initiative whereby homeless households could be offered different alternatives to social housing in ‘opportunity rich neighbourhoods.’

Localis argues that re-balancing the focus of social housing allocations from housing vulnerable individuals in concentrated deprivation, to a lettings process which is linked to the transformation of ‘broken neighbourhoods’ would achieve substantial social and economic benefits.

The opportunities and challenges generated by extending the use of local lettings policies can be summarised:

**Opportunities**
- Place shaping: local lettings strategies could concentrate the activities of local authorities in transforming deprived neighbourhoods; creating mixed-income, mixed tenure communities with greater economic opportunities
- More effective area profiling enabling strategic housing authorities to identify the broader social and economic needs of an area
- Enable the prioritising of access to social housing to key groups who are of economic benefit to an area, for example, key workers
- Facilitate the prioritising of allocations to individuals and households who add social and economic value to an area, not just prioritising people who are in acute need.

**Challenges**
- What safeguards would there need to be to protect vulnerable people and to ensure equality of opportunity nationally?
- At what point would greater local flexibility require legislative changes (e.g. a repeal of rights through the 1977 Housing (Homeless persons) Act and 2002 Homelessness Act; and reasonable preference categories from the 1996 Housing Act?)

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**6. Focus on personalised support**

Many of the debates about the allocation of social housing focus on supply side issues: the allocation of a finite supply of social housing tenancies or the letting of a finite supply of social housing units. An alternative approach involves looking at more effective demand management. Over the past three decades, the way in which housing subsidies are allocated in England has changed. There has been a move away from object subsidies for social landlords to personalised housing support in the form of housing benefit to assist with personal housing costs. In 1980/81 housing benefit was £0.4 billion. Government predicts this figure will soon rise to £21 billion. King notes that the net effect of this is that instead of subsidy being used to increase supply, it now bolsters demand: that is the demand-side subsidy gives poorer households greater purchasing power to choose housing from a spectrum of stock.

This phenomenon is important for the allocations debate because it shifts the focus from the supply of a finite resource (social housing) to demand management which is not tenure specific. Giving more housing consumers greater effective demand could open up access to a wider variety of housing options across different tenure. It is argued that divorcing current housing subsidy from bricks and mortar and attaching it to people would make it more consumer focused and make flexible tenure approaches easier to achieve: personal housing allowances such as housing benefit might act as these mechanisms as it covers both social and private rented sectors. The Netherlands is often cited as an example where supply side subsidies for social housing have been removed.

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(coupled with the under-writing of social housing debt) and public resources transferred to personal housing allowances.

As a means of addressing the current challenges posed by the allocations debate, the opportunities and challenges of increasing the role of personalised housing support can be summarised:

**Opportunities**

- Focusing on personalised support gives greater power to tenants who can choose from a broader range of housing options
- Households can exercise their personal choice to select the type of property they want to live in and the location. This can combat problems associated with spatial disadvantage associated with large concentrations of social housing; but also encourages tenants to have greater personal investment in where they live
- Personalised subsidies can be tenure neutral: that is they can be applied to all housing tenures: social, private and owner occupation. This can counter the stigmatisation of social tenancies over and above other forms of occupation.

**Challenges**

- The cost to the public purse of housing benefit is projected to rise to £21 billion by 2011
- According to DWP as at January 2010, 61 per cent of expenditure on housing benefit is in the social rented sector and 39 per cent is in the private rented sector. However, given that 70.2 per cent of households in receipt of housing benefit are in the social rented sector, it can be seen that housing benefit rents in the private rented sector are on average 50 per cent more expensive than in the social rented sector
- There are major disparities in approaches to personalised subsidies across tenure. Currently, lettings to tenants on housing benefit account for only 18 per cent of lettings overall and some 30 per cent of private landlords have never let to tenants on housing benefit. Nearly three-quarters (70 per cent) of those with experience of letting to tenants on housing benefit would prefer not to let to people on benefits, with landlords frequently dissatisfied with the speed of processing claims (60 per cent).

Reforms to housing benefit announced in the emergency budget will massively reduce the purchasing power of many households: showing how choice and access to affordable housing can be reduced as well as increased by reform to demand side subsidies.

**Summary**

Rethinking approaches to allocations needs to be placed in a broader housing context.

- A well managed, well maintained, affordable private housing sector could play an important and complimentary role in meeting both short and longer term housing need, providing choices for a wide range of consumers that meet their needs at a particular moment in time
- In an era of constrained public finances, looking for new ways to fund the development of new social housing will require inventive approaches from government, funders and providers
- In its 2008 report *Rethinking Housing*, CIH suggested an approach to allocations which would preserve security of tenure but would end the guarantee of a permanent sub-market rent. Alongside this, tenants could be actively supported to access new housing options which would reflect their changing circumstances. CIH argued that this more flexible system could help social housing to offer greater choice, meet people's housing aspirations and respond more flexibly to changing personal circumstances
• Improving physical mobility could lead to greater economic independence and could support local economies by improving tenants’ access to work. In addition, improved mobility for existing tenants could help make better use of stock (e.g. reducing under-occupation), improve satisfaction and quality of life, and give existing tenants a greater sense of fairness.

• Greater emphasis on local lettings could enable local authorities and their partners to concentrate on addressing the housing needs and wider social and economic needs of an area.

• Additionally, it has been suggested by some housing commentators that adopting a more customer focused subsidy system in the form of more personalised support (personal housing allowances) could take pressure off the social housing sector by facilitating greater access for low income households to different housing options.

Each of these options has pros and cons; and all would have a wider impact on housing markets and public finances if implemented.
In their 2001 study for the CIH and the JRF, Cole et al point to the fact the delivery of social housing has become more diverse and more complex so ‘it is not surprising if the search for an allocations system which can deliver on multiple social and management objectives in multiple locations becomes just one more holy grail’. Rethinking approaches to allocations involves a complex balancing act between competing priorities and opportunity costs. It involves negotiating between the business objectives of social housing providers, the varied housing needs of individual applicants; and the social and economic wellbeing of neighbourhoods and wider areas.

- Social housing fulfils different roles, from meeting housing need, supplementing broader welfare objectives, contributing to sustainable communities, promoting choice and delivering an affordable housing supply. All of these roles make valuable contributions to individuals and communities. While the constrained supply of social housing makes balancing these objectives a complex task; social housing is not reducible to one role at the expense of the others.

- The social housing sector is complex. It is made up of different types of providers in terms of constitution, size and remit. Outcomes and performance across providers are varied. It is necessary to recognise the diversity of the social housing sector in terms of what is provided, with what aims, who it is provided for and to what quality.

- Social housing provided at good quality and an affordable price is a major asset to people in England. The social rented sector continues to provide a valuable role in improving housing conditions and life chances for many people. It provides safe and secure accommodation for many poorer and vulnerable households and the positive interventions of many social housing providers contribute to better communities.

- For social housing to continue to provide its diverse roles, supply has to improve. This would require new approaches to investment in the social housing sector, schemes to tackle under-occupation, better use of empty homes and better access to the private rented sector.

- But social housing does not necessarily have to be provided by social housing providers. It is better to think in terms of achieving broader social outcomes for housing rather than focusing exclusively on tenure and ownership. This can provide opportunities for more creative working with a range of different providers.

- CIH has consistently argued that there needs to be extended options for the promotion and provision of a new approach to housing advice: not just for social housing but for all individuals to help with planning their housing decisions. Advantages of a more universal approach would include better individual decisions around sustainable home ownership, better access to the range of housing products across the entire market, promotion of higher standards of service provision by providers wishing to be linked in to the service and break down barriers and stigma around different tenures.

- A more holistic approach to affordable housing would offer a range of rented housing options, both social and intermediate, and at different prices to reflect varied household incomes and aspirations.

- Two key concepts running through this paper on allocations have been the need to let homes in a way that is responsive to the choices of individuals and households and to support the housing aspirations of individuals and households beyond the point of an initial social letting. Despite the damaging effect of the recession on property prices, home
ownership still remains an aspiration for many households in England.\textsuperscript{78} In addition, the new coalition government has stated its commitment to home ownership, shared ownership schemes and assisting social tenants to own or part-own their home. While aspiration should not be linked directly to a specific form of occupation (e.g. home ownership) it does recognise the primary importance of providing a housing service which does not trap people in tenure but supports and enhances housing choices across different tenures.

What features should an allocations system include?

Taking into account the international examples, options for reform; and the current context of social housing, this section identifies some aspirational outcomes for an allocations system. This section is designed to stimulate some lateral thinking around the issue of allocations rather than to propose solutions.

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<td>Allocations should:</td>
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<td>• Meet the expressed or felt needs of individuals rather than normative needs</td>
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<td>• Meet the expressed needs of vulnerable people without creating perverse incentives and/or resulting in ‘points chasing’ rather than home seeking</td>
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<td>• Offer better ‘choices’ for households, not just in terms of the offer of any accommodation, but accommodation type and location</td>
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<td>• Focus more realistically on local housing markets rather than the administrative boundaries defined by local authorities</td>
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<tr>
<td>• Recognise that different housing markets operate across England and will require different approaches to lettings: in some areas there is over-supply and in others there is high levels of demand</td>
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<tr>
<td>• Provide greater opportunities for local social housing providers to respond to local housing needs</td>
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\textsuperscript{78} In a May 2009 survey of 2080 people commissioned by CIH, YouGov found that despite the recession and credit crunch, the majority of the UK population (70 per cent) still believe that homeownership continues to be a good long-term investment. Just 14 per cent of respondents believed renting was a cheaper and safer option than homeownership.
### Social and economic wellbeing

Allocations should:
- Facilitate social and economic opportunity rather than trap people in tenure related disadvantage
- Remove the stigmatisation of individuals by tenure
- Contribute to the creation of sustainable communities where people aspire to live

### Customer choice

Allocations should:
- Locate power with individual consumers in actively selecting their housing options, rather than treating them as the passive recipients of an allocated good
- Enable tenants to exercise their personal choice to select the type and the location of the property they want to live in
- Not exacerbate differences in the lived experiences of tenants across different tenures

### Fairness

Allocations should:
- Be perceived to be fair and transparent by the general public
- Accessible and understandable to service users
- Offer a range of different options
An effective social housing allocations system would be made up of a number of components as illustrated below:

- At the core, allocations balance meeting needs, local priorities and customer choice
- This can only be effective if supply is increased and diversified in terms of the range of providers and the type of housing they offer
- This needs to sit within extended housing options services so customers are better informed of their housing options in the widest possible sense
- Broader housing policy should support the longer term housing needs and aspirations of householders.

**Aspirations: affordability and value for money**

Allocations should:

- Balance affordability for consumers with value for money for the tax-payer
- Provide sustainable financial foundations for long term investment in housing
- Offer a range of different housing options for different groups

**Supporting and meeting longer term housing aspirations**

**Extended housing options services**

**Broader provision in terms of increased supply of social housing and new providers**

**Meeting housing need**

**Local priorities**

**Providing choice**

**How can we deliver a range of affordable housing products for people with different levels of need?**

**How can we deliver a range of affordable housing products which provide value for money for the taxpayer?**
This report has shown that rethinking approaches to social housing allocations cannot be set outside of the context of a more holistic review of what social housing is for and how this interfaces with the wider housing market and social welfare in England. Some more challenging points arising are:

**Conclusion**

The election of a new coalition government in the UK ushers in an era of change and reform which will be significant for the housing sector. Many changes which will impact on the policies, priorities and structural landscape of allocations and access to housing can be expected.

- The Decentralisation and Localism Bill will be central to devolution of power to councils and neighbourhoods and giving local communities control over housing and planning decisions
- The Big Society idea is a key component of the new administration’s approach which envisages a greater role for local groups and community action
- The Welfare Reform Bill will drive major changes in the welfare system and create new programmes to move five million people off benefits and into employment
- Growing and rebalancing the economy will be a key priority, supporting growth of and access to private sector jobs.

The emphasis on localism means that local authorities will play a leading role in securing the delivery of housing. It is also likely that the focus on linking welfare to employment, targeting public resources where they are most needed, supporting social mobility, and helping people to access work will impact on social housing allocations and require difficult decisions that could lead to fundamental changes.

Over the coming months, CIH will facilitate debate on the challenges and options affecting the allocation of social housing; seeking to secure the most effective system for the communities we do and will work with. Please join the debate and help shape the future of allocations.