

What are the priorities for the reform of social housing within inner city areas?

INTRODUCTION

James Morris, Chief Executive, Localis



Establishing priorities for reform of social housing – particularly within inner city areas – is crucial to addressing some of the most intractable social problems which characterize some areas of our inner cities today. It is a policy area which has some tensions and some areas of consensus. Stephen Greenhalgh and John Moss argue strongly in their piece

that social housing policy has been dominated by an obsession with the quantity of housing that needs to be built to 'meet housing needs'. They argue that there needs to be fundamental and radical reform to ensure that it is possible to create mixed communities rather than the 'ghettoes of multiple deprivation' which currently characterize some of our inner city estates.

Tim Leunig argues, in his piece, that the key problem with the current system is its rigidity. He argues for policies which would allow for this greater mobility of social housing tenants. Ian Rowley also argues for increased flexibility in the system, in addition to shorter tenancy lengths. Matthew Groves argues that much of current government policy is against the spirit of localism. Much of government policy in this area, he argues, is centrally prescriptive leaving little scope for local authorities to manage their housing stock or make decisions about housing allocation which are more attuned to the needs and requirements of local residents. Stephen Greenhalgh and John Moss will be further elaborating on their ideas around social housing reform in a forthcoming Localis pamphlet.

DR TIM LEUNIG

Author of 'The Right To Move'



The problem of inner-city social housing is essentially twofold. Firstly, it is located in inner-cities, and second it is located in concentrated areas with very high density.

At one level it seems odd to say that the problem of inner-city social housing is that it is located in inner cities. After all, there appears to be a prime facie need

for social housing in inner-city locations such as Lambeth, or Tower Hamlets. But on reflection many of the people living in social housing in Lambeth and Tower Hamlets might well appreciate the opportunity to move to other areas. We can see this in the choices made by the affluent. Many young professionals enjoy living in central London when they are young free and single, or when they are newly married. The centre of London, like the centre of Manchester, Leeds or Newcastle, is an exciting and interesting place to live. But as these young professionals settle down and have children, large numbers of them choose to move to suburbia.

Suburbia is not fashionable, but for many people it is the ideal place to bring up children. In addition, housing in suburbia is much cheaper per square foot than housing in city centres. For people with young families the move is a "win -- win" situation: they get a bigger house and they get to live in a more suitable area. One of the best things that could happen to inner-city social housing is to give its residents the right to move to the suburbs. We know, in our heart of hearts, that many inner-city schools are terrible. There is even evidence that inner-city schools in areas of social housing are even worse than you would expect from the other characteristics. Oliver Letwin may have been pilloried when he said he would rather beg than send his children to his local school in Lambeth but many people agreed with him even if they were not brave enough to say so.

"One of the best things that could happen to inner-city social housing is to give its residents the right to move to the suburbs"

The second problem of inner-city housing if it is generally concentrated in high-density estates, usually made up of flats. This in turn brings two disadvantages. First, these estates are very poor places to bring up children. A relatively low proportion of people have their own private outdoor space in which the kids can run around safely and securely. And given that many people living in social housing estates do not feel safe outdoors even during the daytime, parents are understandably reluctant to let their children go off to the neighbourhood park. Children need space, including outdoor space: it is as simple as that. Inner-city social housing rarely provides this.

The second problem of social housing estates is that social housing is allocated by need, and today your needs have to be extensive to be awarded social housing. The result is that today, across Britain as a



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whole there is less than a one in a hundred chance that a social housing resident and both of their neighbours will be in work. Since this is an average the figure is no doubt far worse in some parts of Britain. How can we expect children growing up in areas such as this to see work as a normal part of everyday life when it is self-evidently not a normal part of the everyday lives of people that they see?

It is not the case that we want every community to have people of every income level in equal proportion. There are perfectly sensible reasons why people are relatively poor choose to live in relatively close proximity. Such areas will have shops and other services that they find useful. Nevertheless, there are good social policy reasons to want to prevent the emergence of areas that are characterised by extensive poverty and very high levels of worklessness.

"It would be useful were many of these now vacated properties be let at market rates to people in work"

The priorities for reform are therefore straightforward. We need to allow some people, particularly those with children, to move out of inner-city social housing. Clearly such people need to be given the benefits of social housing that they currently enjoy, in terms of relatively low rent and security of tenure. They need, as it were, to be able to move their social housing entitlement to another part of town: a part of town that suits the needs that they have at this stage in their lives, rather than remaining in the place they happened to be on the day that they were awarded social housing. Since many of these people currently live on estates this opens up the possibility of altering the mix of people on those estates relatively easily. We need to be realistic: many of these estates are tough and relatively undesirable places to live. But we also know that there are many young urban professionals who are more willing to live in areas that are not perfect but that offer high levels of accessibility, and good amounts of space, for any given rent. It would be useful were many of these now vacated properties to be let at market rents to people in work. This in turn would change the characteristics of these neighbourhoods, so that work becomes more common. This would mean more money in the local community so that local shops and other services are better supported. And it means that the - impossible to quantify - demonstration effect becomes stronger. Young people and those of working age will see that work is a normal part of life, and not something that other people do.



CLLR STEPHEN GREENHALGH

Leader, London Borough of Hammersmith & Fulham



JOHN MOSS

Regeneration Consultant

In a recent speech David Cameron has underlined that there will be no retreat from social reform by an incoming Conservative Government because of the current crisis in public finances: "My Party understands something crucially important. Fiscal responsibility needs a social conscience, or it is not responsible at all." Now we need that social conscience to focus on the state of social housing in our inner cities.

All our inner cities have relatively high levels of social housing compared to their suburbs. Today social housing has become welfare housing where both a dependency culture and a culture of entitlement predominate. Two thirds of social tenants of working age are unemployed and only 22% are in full time employment. 50% of social housing - some 2 million homes - is located in the most deprived 20% of the country. Competition revolves around drawing welfare support and taking something out of the system. Public sector housing is run as a national housing service that fails many of the very people it was designed to help and delivers a risible return on assets.

"Many social housing estates have become the very ghettos of multiple deprivation they were supposed to replace"

Currently the political debate appears to be simply about the quantity of social housing that needs to be built to meet "housing need". The issues have been reduced to a discussion about numbers - numbers which are as nonsensical as proverbial production figures for Soviet tractor factories. However, the professional and

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academic debate is well ahead of the politicians. There is considerable appetite for reform amongst those working for Registered Social Landlords (RSLs) and amongst council housing officers up and down the country. There is real concern that the current social housing system is failing the very people it was designed to help. Social housing was meant to help lift people out of the slums. Instead many social housing estates have become the very ghettos of multiple social deprivation that they were supposed to replace. This is a view not just held by Conservatives. Newham's Labour elected Mayor, Sir Robin Wales recently told a conference that "Many council estates have become what they were fighting in the first place – social ghettos."

The Hills Review was a masterpiece in analysing the problems of social housing. However, this thoughtful academic ducked pinpointing solutions which would deliver mixed communities that incentivise people into employment instead of leaving them in welfare ghettos. Whilst the social case for reform is undeniable, the financial case is just as strong. A conservative estimate values public sector housing stock at around £300 billion and yet the return to RSLs and councils on this capital investment is barely 1 per cent.

So what should we do? Politicians responsible for large swathes of social housing must make every effort they can to create mixed communities in their most deprived areas. The Labour Government's 'Decent Homes' initiative is simply upgrading the deckchairs on the Titanic. It is the social and economic health and well being of the neighbourhood which matters as much as, and in some cases more than, the physical condition of the buildings. Estates where deprived households are concentrated because of housing policies - where few people work or train, where schools are underperforming, where the combined community income cannot support shops, banks, and other local services – are not places sought by people with any choice. These environments are "barracks for the poor" and do nothing to support and assist the vulnerable – indeed just the opposite.

A decent neighbourhood is a place where people want to live and they have pride in. At the heart of a mixed and sustainable community is a mix of people with different income levels, at different life stages and with different occupations who occupy their homes on a mixture of tenures but where no single tenure predominates. This balance across tenure provides real choice to attract a broad range of households and people. It is also about having good public (schools, local GPs) and private (shops, restaurants, businesses, places of entertainment) local services in the neighbourhood. Across the country there are isolated examples of the creation of mixed communities such as

Norfolk Park in Sheffield which saw the regeneration of a mono tenure council sink estate into a successful mixed income community, Hulme in Manchester, Holly Street in Hackney, Adcocks Green in Birmingham and Crown Street in Glasgow. All these initiatives required winning over tenants and involving them in the redevelopment process which is one of the keys to success. However, Councils should not be put off taking forward plans by a vociferous minority.

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Here are some of the steps to create a decent neighbourhood in areas of concentrated social deprivation:

1. Carry out a **neighbourhood audit** of the people who live on an estate in terms of relative deprivation (the percentage of those households in a neighbourhood at or below 60% of the area's median income - a commonly used and accepted definition of relative deprivation - is a good trigger on which to base decisions on how to redress imbalances), services that residents currently access including housing management, the police and NHS, the letability and saleability of the buildings on the estate and of the infrastructure supporting the neighbourhood.
2. Develop an **asset management plan** which is geared to meeting needs across a wider area than just a single estate. This can minimise the impact of decanting and keep residents in the local area, even if not necessarily on the same estate.
3. **Sell vacant homes.** Strategic open market sales of void properties either directly (imminent HRA rule changes should make this process more viable) or by transferring ownership to a partner who will then sell on. This process could be accelerated by creating a time limited exception to the housing transfer policy which prioritises requests from those estates in need of rebalancing.
4. Identify **"hidden homes"** as Wandsworth Council has pioneered through selective demolition and/or infill new build for sale. The council can undertake this type of activity directly or in partnership with a 3rd party. Land in the ownership of the local authority is a valuable asset and rather than simply being sold off should be levered to best effect, for example leased or offered as an equity share in a joint venture.
5. Change **lettings practices** via (i) the introduction of **local neighbourhood lettings plans** on identified

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estates requiring proactive mixed communities policies – or those on the cusp of decline, and **(ii) changing homeless lettings practices**. Being homeless is generally a symptom of other problems, for example ill health, domestic violence, financial crisis, drug/alcohol abuse or marital breakdown. Housing such vulnerable households in areas of concentrated deprivation will serve only to magnify their problems. Such households should be housed in more supportive, opportunity rich neighbourhoods, with access to good schools, transport etc. The suspension of lettings from the Priority Homeless list to areas currently with disproportionate relative deprivation would ensure efforts such as those above are not be frustrated. In order to ensure minimum negative impact on the transfer and Homeless waiting list, this could be co-ordinated as part of the Housing Options initiative with transferring and homeless households being offered a range of alternatives to social housing in more opportunity rich neighbourhoods.

But we also need a brave government to reform the rules controlling public sector housing. Councils and RSLs should be given a statutory duty to fix broken neighbourhoods where there are concentrations of deprivation and be set free to manage their housing assets in a more sensible way based on what is right for the local area. There are huge social, economic and financial pay-offs if we get the reform of social housing right. The current social housing is warehousing poverty in the core of our great cities – cities which need to be the very engines of economic growth. With fundamental reform, social housing would continue to be available to those who cannot house themselves and would provide properly for them, but the system would provide a hand up rather than a hand out to people who work hard and play by the rules.

“There are huge social, economic and financial pay-offs if we get the reform of social housing right”

Those who cannot afford to buy market housing or pay private sector rents would be encouraged to buy part shares with a substantial incentive, extending the ladder of opportunity much further down the income scale. Residents with a stake in the place where they live, however small, will care more about what happens to their homes and in their neighbourhoods and will be more inclined to hold landlords and managers to account. More homes would be built but there would be a greater mix of housing type and tenure and mix of people in them.

Breaking up the current concentrations of welfare housing in our inner cities and introducing positive role

models should see educational outcomes rise, health improve and crime levels drop as neighbourhoods thrive once again. A system that puts home ownership or partial home ownership at its core would see an increase in personal wealth and encourage greater social mobility.

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Now we just need an incoming Conservative government - which will have an unprecedented opportunity with so many of our councils also being in Conservative control - to be bold and be brave and act on its social conscience, by listening to the housing professionals who are fed up with tinkering around the edges and embrace a reform agenda that will contribute hugely to fixing our broken society.

CLLR DR IAN ROWLEY

Westminster City Council



In many central areas of London, such as my own borough of Westminster the costs of property are, even after recent falls, very high. To purchase one has to be well off. The alternative of renting in the private sector will be expensive as rents are set as a yield of capital value. The rent of a three bedroom house in Marylebone may well cost £50,000 per annum. So private

sector rent is available only to the well paid. If a house is needed for family purposes even the wealthy may move out and commute. London is not a local but a global property market and it is this fact which sets prices.

The alternative is social housing or affordable housing. But access to social housing is on the basis of individual “need”. Social housing quotas are set as a percentage of new residential developments. This has

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one consequence of reducing the supply to the market and making prices higher than they would be otherwise and so, at the margin, making it more difficult for people to buy.

"The social housing policy that exists in wealthy inner boroughs can be a subsidy production and distribution machine with Lottery style levels of winnings"

The result is that many ordinary working people live outside Westminster and commute. Their "right" is to work, pay taxes and pay money to the rail companies. Those that are able to get social housing allocations in good developments in good areas are however the recipients of huge subsidies with estimates running well past £500,000 to above £1.0 million in many cases. Yes, in this system you can get a subsidy valued economically at £1.0 million or more. A unique version of "who wants to be a millionaire" UK welfare state style. So, in a way, the social housing policy that exists in wealthy inner boroughs can be a subsidy production and distribution machine with lottery style levels of winnings.

Central government dictat is a key contributor to this absurd situation which comes about from a number of causes. The first is assured life time tenancy and the fact that a lot of social housing is built in the central boroughs and not outside. Once you get a social housing unit you have it for life, irrespective of change in circumstance. Combine this with the differential between the free market rent of a house, for example, and the rent paid by social housing tenants and you get a huge annual subsidy. On a house with a free market rent of £50,000 per annum the social rent may well be only £8000 per annum for example. Project this subsidy over a lifetime of 40 years plus, account for rent inflation and value at a yield of 5% and you have an economic value of over £1.0 million!!

The qualifications for social housing is points based on the grounds of individual need and connection to the area; residency of six months in the borough, in the case of Westminster, is sufficient qualification for this. An example of the potential for huge subsidy production lies in the redevelopment of Chelsea Barracks where there may well be a large element of social housing, the free market price of flats here are slated at between £2.0-£3.0 million. The implicit subsidy value here of assured life time tenure of social housing will likely

easily run well above £1.0 million or more.

Yet whilst this absurd, unjust and unfair subsidy distribution game goes on in such a dire and difficult economic situation some inner London Boroughs such as Westminster face serious challenges.

There is an paucity of an established stable middle class, the key to any vibrant and balanced social structure and active community engagement. Society is bifurcated between the wealthy and those in subsidized accommodation. There is high population turnover and many second homes.

Key workers in both the private and state sectors whose presence in the community would bring big benefits are excluded by cost. It would be good for policing if, for example, we had police living proximity to the areas they policed and were part of the community. The situation is that we are unable to offer housing to people with respect of the needs of the whole community. We have to allocate on the basis of individual need irrespective of how one got there and then often housed in the central areas with lifetime tenure.

The subsidy levels are also an incentive not to improve ones lot by ones own effort. If this means losing a huge potential subsidy worth up to a £1.0 million this should be no surprise. These large numbers are beyond the dream of hard working people.

"Key workers in both the private and state sectors...are excluded by cost"

Such subsidy levels are grotesque and unjust and the basis of fairness demands their removal. Needs of the community need to be taken into account in social housing allocation. It is also the case that not all social housing obligations need to be delivered in central London. If people commute and live outside London this benchmark can be applied to social housing tenants as well.

What needs to be done?. I think the following :

Flexible short term and needs based tenancy structures should be allowed. Lifetime assured tenure needs to be removed. Tenancy should be seen either as a point of help and a stepping stone not an end or part of community needs. The subsidy value of tenancy can be reduced dramatically by shorter and more flexible terms. The adverse incentive of the potential receipt of a subsidy worth huge sums of in cases in excess of £1.0 million are enormous. This will just encourage the playing of "the system" and deter self improvement.



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The needs of the community and community structure need to be looked at and community priorities accounted for. Key workers in both the private sector and public sector needed to fill jobs, for social balance and social cohesion should have access as part of their employment terms. These issues should influence allocation criteria. This implies flexibility in tenancy, mobility, location and terms both within the borough and outside.

Access should be available to middle classes in terms of having a balanced community. It seems unjust that they are not given the chance to live in central London and make a contribution to the community. Many will be involved with key worker functions.

"Tenancy should be seen either as a point of help and a stepping stone-not an end, or part of community needs"

Behaviour and contribution to society should influence the type of access. Rights need to be matched to obligations. It is also important to recognize that "housing rights" do not exist in abstract, one persons "right" confers on others the "right" to work, pay taxes and rail fares.

Explicit account should be taken of subsidy costs in the allocation and structuring of tenancies. There should be flexibility of use, if a 3 bed house is no longer needed then moves to more appropriate units considered for tenants.

Social housing should not be produced in fixed locations and as part of predetermined formulae for development. If a unit can be sold at a free market price and money from this taken to develop more units in lower cost areas then this should be looked at. This is especially the case given the difficult economic situation.

Portfolios of social housing should be allowed with some provided outside the borough where costs will be lower. There should be no implicit right to live in central London if one is waiting for social housing. The ordinary hard working commuter is given no such right, the only right they are given is to pay taxes and pay rail fares to support all this.

CLLR MATTHEW GROVES

*Housing Committee Chair,
Tandridge District Council*



The topic of social housing is particularly relevant to the Localist agenda. Central Government has pushed through its own agenda by a means of financial sticks and carrots. It has been very difficult for local housing authorities to follow their own local policy in this arrangement favouring centralized control.

Whatever the merits of councils as landlords as opposed to registered social landlords, the Government has not allowed a proper competition of social-housing models. Financially it has penalized those councils that retain their stock and placed the councils under pressure to transfer the stock.

Whereas housing associations can access other forms of private funding to meet the standard, the Government restricts the sources of funding local authorities can access and it can be very difficult to draw down government grants. Housing portfolio holders I have talked to have expressed their frustration at having no option but to transfer the stock, because of the way the Government funds councils.

Furthermore, social landlords must meet centrally-determined targets regarding repairs and improvements. These targets can differ from the wishes of tenants. For example, whereas the Government's Decent Homes Standard requires new bathrooms, tenants might actually be concerned about dilapidated fences and gates. Because of the funding arrangements the Central Government's wishes will normally trump the wishes of local tenants or indeed local members.

"Negative subsidy can no longer be defended on grounds of redistributive justice"

Government subsidy is calculated according to what a local authority *should* be charging in rent and then by calculating how much the authority should receive from or pay to Government if that notional rent were charged. A percentage of rental income is taken by Central Government if it is calculated that were the "correct" rent

all politics is local

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charged would lead to a surplus. Thereby well managed housing revenue accounts are penalized. This system is known as negative subsidy.

Negative subsidy is entirely contrary to the principles of localism. Working against the concept of ideas being tested at a local level, it perversely encourages failure and discourages success. In such a set-up, where successful landlords must pay for the failing landlords, there is no incentive to manage effectively and innovatively.

Furthermore, negative subsidy can no longer be defended even on the grounds of redistributive justice. Most of the money collected from councils now goes into general government expenditure, rather than supporting other councils, which have a housing revenue account in deficit. Waverley Council is taking a lead in campaigning against this inequitable funding system.

"The Localist concept of different local solutions being found is potentially being suppressed"

The Government has recently suspended another controversial policy: rent convergence. This required local authorities to converge their rents with housing association rents, thereby significantly reducing one of the main attractions of remaining as a local authority tenant, that being the lower rents. Failure to converge can be punished by the Government funding system. Because of the credit-crunch, the Government will no longer be forcing through this convergence.

It is clearly desirable that tenants should be enabled to take responsibility for their own lives, exercise choice and follow their aspirations. It would be wrong to prevent tenants from being able to move out of council housing or councils from transferring their stock.

Notwithstanding this, it cannot be right that competition of ideas is being suppressed and local solutions not being implemented because of pressure from the Centre. It is important that local authorities are able to respond to the local demands made upon them, whether that be a demand to transfer the housing stock or to remain with the Council as the landlord.

Tandridge District Council is on target to meet the decent homes standard and because of the overwhelming wishes of its tenants to remain with the council as landlord, unusually it has been able to exercise the so-called fourth option, and retain its stock. However, because of negative subsidy and capital

receipts legislation, it would not be able to finance the debt to launch a project of building new council houses, whatever the wishes of local members or those on the housing list might be. Once again the localist concept of different local solutions being found is potentially being suppressed.

One important change in policy direction must therefore be a genuine devolution of decision making to local authorities that are directly answerable to their tenants. This should mean that tenants' wishes are genuinely responded to, rather than the Whitehall bureaucrat's concept of what the tenant would wish.

Another important change should be to increase the tenants' choice. Choice-based letting is a new system that allows those on the housing list to bid for a limited number of properties available. Because the stock available is fairly limited, although this shift in power away from the bureaucrat to the tenant has proved popular, it is not as radical a shift as might have been hoped.

From the policies being implemented or being discussed in the realm of ideas, it is clear that there are genuine Centre-Right solutions that would both devolve power and give tenants more choice. Local solutions are still being found, despite the straitjacket the Government has imposed on local housing authorities. If local authorities and people were to be given greater freedom to test out local projects, the opportunity for new and innovative solutions would be even greater.

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