

Key issues facing housing under the new coalition government

John Thornhill

Senior Policy and Practice Officer

Overview

- Key decision makers
- What said so far
- Guess about gaps
- Implications of context
- Things to think about



Political leads



Nick Clegg



David Cameron



Greg Clarke



Eric Pickles



Ian Duncan Smith



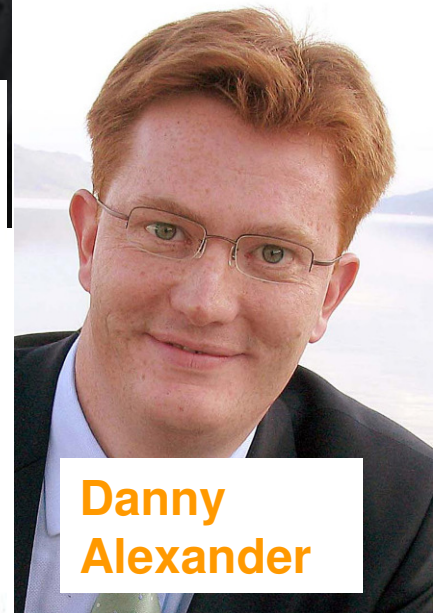
George Osborne



Grant Shapps



Vince Cable



Danny Alexander



Current context

The current political context:

- **Devolution of power:** **Decentralisation and Localism Bill** and decision making responsibilities to local government and communities
- **Big Society:** greater role for local and community groups
- A desire to **reform welfare** provision: reconsidering who gets support and on what terms. Encouraging and supporting jobless people back into work
- **Deficit reduction** and savings in public expenditure



Deficit Reduction

- The deficit reduction programme takes precedence
- More severe 'fiscal tightening' than was planned by Labour
- Deficit reduction of **£128bn** in five years
- **74%** will be financed from cuts, 26% from taxes
- Budgets in non-protected departments will fall by **25%** in real terms over five years
- Cuts in welfare benefits will save £11bn by 2014/15



Headlines

- **Public Sector Pay & pensions:** 2 yr pay freeze
- **Benefits:** RPI to CPI, Child tax credits, tie Support for Mortgage Interest (SMI) to the Bank of England monthly rate
- **Local Enterprise Partnerships** (LEPs) to replace regional development agencies (RDAs)
- **Tax**
 - VAT rise to 20%
 - A new level of 28% for capital gains tax will be paid by higher rate taxpayers
 - People in England may gain the right to challenge their council tax rate from 2012



Contradictions

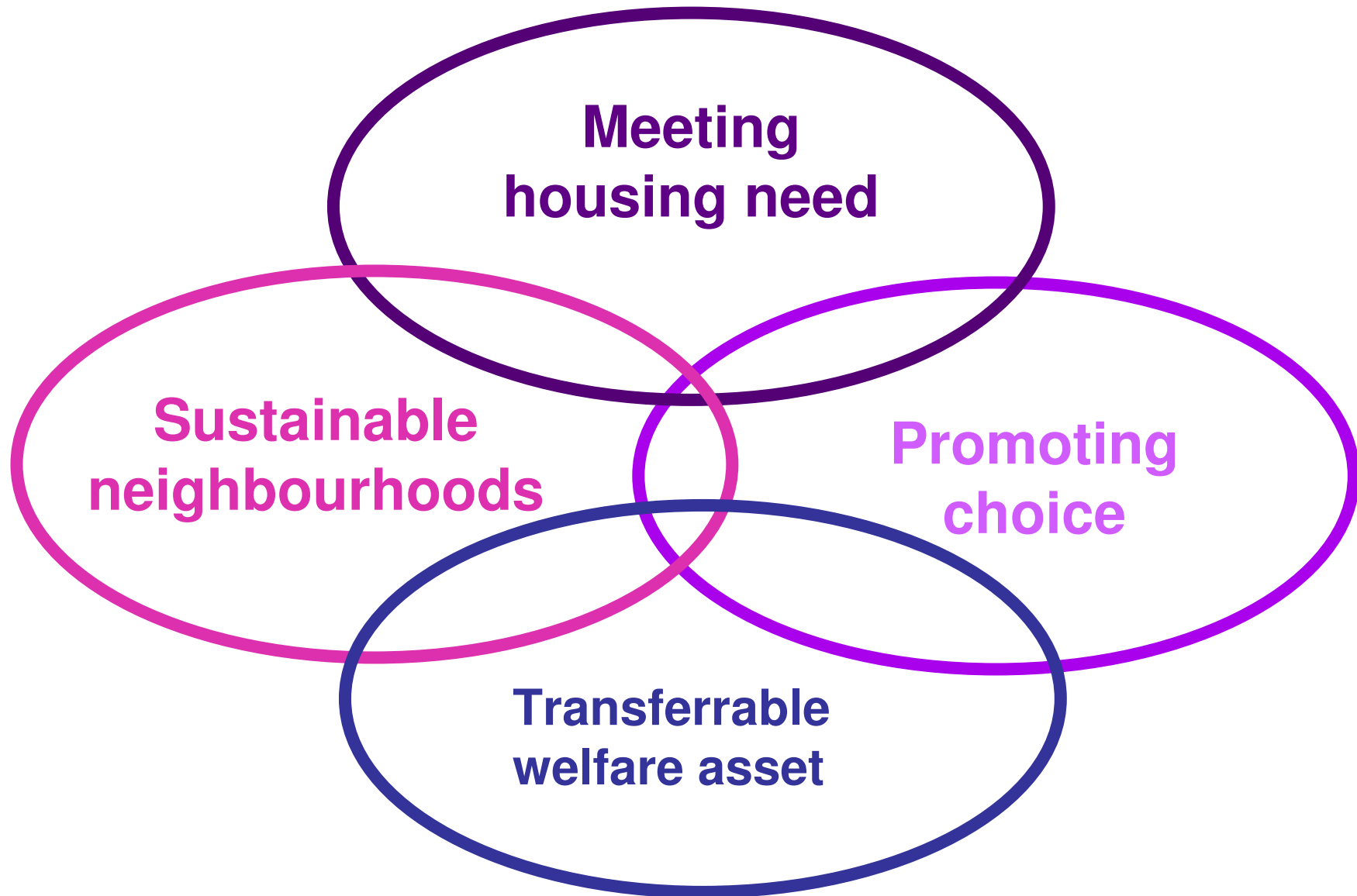
- Demand for social housing out-strips supply
 - **But** social rented sector is shrinking: from 19.5% in 2001 to 17.7% today
- The sector plays a key role in housing people who are vulnerable and in need
 - **But** an allocations system focused on need has concentrated disadvantage by tenure and often by location
- social housing has broader social and economic roles: housing associations invested over £209m on almost 900 education, employment and social projects between 2003 and 2008
 - **But** there is a tension between the roles of social housing in terms of meeting acute housing need and contributing to broader social and economic well-being because of the shortage of supply of social housing



Who is living in social housing and who isn't?

- 62% of households in the social rented sector receive **housing benefit**
- 29% of tenants in the social rented sector are **economically inactive**
- 68% of households in the social rented sector have **incomes** less than £15,000
- Median income for social housing households is £10,900 compared to £29,200 for owner occupiers
- 31% of households in the social housing sector are of **retirement age**
- 43% of people living in social housing have a **long term disability**
- 20% of people living in social housing are **children**
- There are 7.2 million **in-betweens** earning £12,000 to £25,000 who can't access social housing and many struggle in the PRS

Competing demands on social housing



The state of the social housing sector

- **Residualisation:** association between social housing, worklessness and poverty
- **Shortage of housing supply:** Housing completions have slumped to their lowest level since 1947. Just 118,000 homes were built in England in 2009
- **Demographic change:** Across the United Kingdom the key driver for housing demand remains a changing population and demographic base. As with other developed countries people are living longer, settling down at later ages and separating after initial household formation more frequently



The state of the social housing sector

- **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 1997/8 to 206,000 in 2007/8
- **Over-crowding in the social rented sector:** 5.9 per cent of households in the social rented sector are over-crowded and this rises to 12% in London
- **Unfair:** A recent poll by Ipsos MORI for CLG found many people perceived the way social housing is allocated to be unfair
- **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. The average housing association rent in England £70.35 in 2006/07. The average private rent in England was £115.55 in 2006/07

Housing benefit reform

- Capping the maximum LHA allowance payable: **April 2011**
- Increasing deductions for non-dependents: **April 2011**
- Calculating LHA rates using 30 percentile, not 50th percentile: **October 2011**
- Linking LHA increases to CPI not RPI: **April 2013**
- Reduce HB and LHA payable to JSA claimants after 12 months: **April 2013**
- Limiting HB paid so it covers size of property they are deemed to need: **April 2013**



Implications of HB reform

- **Capping:** affect 14,000 households, moving from high rent areas to lower rent areas, overcrowding, pressure on health and schools
- **Deductions:** need to get more rent of other adults, ask adult children to leave home, less willing to care for elderly parents
- **30th Percentile:** only access to bottom 30%, difficulty accessing PRS, homelessness, increasing waiting lists
- **CPI and RPI:** no PRS homes available for people on benefits to rent?
- **Reducing HB by 10%:** financial pressure on tenants, arrears, transfer requests
- **Limiting size:** rising demand for smaller properties, arrears

Localism and the Big Society

Elected mayors

HRA review

Community-run services

No more targets

‘Open source’ planning

Development incentives

Local Housing Trusts



Mobility

- **Improving 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
- *Before the election, 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 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

Mobility (think tanks)

- **The Think Tank *Localis*** is calling for more radical approaches to addressing what they perceive to be: a) tenure disparity and b) prioritising local lettings.
- **Congruence between market rents and social rents** with a corresponding move towards income subsidies to achieve a more level playing field across tenures which, they believe, is affordable within current housing benefit and capital budgets
- **End to the national allocation system** for social housing, moving to local systems which address local problems and much greater innovation and flexibility from councils and RSLs in “place-making



Bonfire of the quangos

- **Abolition of:**
- Regional Development Agencies (RDAs)
- Infrastructure Planning Commission (IPC)
- National Housing and Planning Advice Unit (NHPAU)
- Government Office London
- Tenant Services Authority (TSA)?
- **Not a quango, but no funding for National Tenants Voice**



Educated guesses (the gaps)

- **Focus on recession-related social issues:** 'Housing plus' contributions
- **New funding models:** Public equity, private investment, TIFs, REITs, etc
- **New products:** Shift to intermediate renting?
- **Housing benefit reform:** fallout, arrears, waiting lists, homelessness, over-crowding?
- **Conditionality**



Implications for the housing sector

- **Development:** how to build?
- **Decent Homes:** what next?
- **Supported housing:** aging population
- **Welfare reform:** rental revenue / arrears
- **Overcrowding**
- **Efficiency & VFM** and innovation drive
- **Risk management**
- **Localism:** Local control
- **After the TSA?** New agencies & frameworks
- **Demand for housing support and advice:** repossessions, affordability, accessibility

Over to you

- What other issues do you want to identify
- What are the most pressing issues facing the Cambridge sub-region
- Which of the issues identified will have the greatest, and or most immediate effect?
- What next for the sub-regional housing strategy?