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3.1. Introduction

We believe that the issue of social housing lies at the heart of the public services debate. Some housing estates have become epicentres of poverty and crime, fuelling poor public health, truancy and educational failure as well as mental ill health. Housing ought to be central to all improvements in well being for the individual and for society. Where you live can indicate how long you will live. According to recent research by the Universities of Bristol and Sheffield, there is up to ten years’ difference in life expectancy between the worst postcode areas and the best. Access to good schools as well as good healthcare can depend on your address. As illustrated both in the ‘Breakthrough Britain’ Conservative Social Justice Policy Group and in the report of the Conservative Social Enterprise Zones taskforce, the current Government’s regulations for priority in social housing concentrate problem families in areas which all too easily become ghettos where the poorest schools and worst medical facilities reflect the difficulty of attracting and retaining teachers and doctors to work in such challenging circumstances. Reversing the longstanding decline of such housing areas will not be done overnight, but must be a priority in the improvement of public service provision.

Social Housing need not be the ‘living tomb’described recently by Will Hutton. Inadequate social housing policies have trapped social tenants into a vicious cycle of deprivation and corresponding poor educational attainment and ill health.

We believe in a new definition for the purpose of social housing. Living in social housing should be viewed as a transition during which support is temporarily required before moving up the ‘ladder’ to some form of shared or outright ownership, or sheltered housing. Our vision will need to be underpinned by a diversity of quality provision which offers a broad choice for social tenants.

We therefore believe that the objective of an incoming Conservative government’s social housing policy should be to encourage greater social mobility and to transform the dead-end ‘ghettos’ that typify some of our council housing estates today. We need to change the mono-cultural estates of our deprived inner cities, replacing them with more cohesive neighbourhoods that have a sense of local pride and ownership.

Increased mobility within social housing can help more people onto the housing ladder; can help to create mixed-tenure neighbourhoods; and can help to free up social housing stock to meet demand and to address some of the overcrowding that currently exists.

3.2. Access to Housing

Shelter is a basic human need and more and more people want to own their own home. But the distinction between desire and reality is considerable and growing. While 95% of Britons expect to own their own home in their lifetime, only 49% of under 35s own property today compared to 59% in 2001. As a result, it is estimated that 3.1 million of those currently under 35 will still remain in rented accommodation at the age of 65.

The reasons for this discrepancy can be explained by the sharp rises in property prices, far outstripping most other comparable countries: prices have doubled in the past decade, and in some areas it has been estimated that only 36% of new households can afford to buy. Since 1999 the ratio of average house prices to average income for first time buyers has risen by 50%. In rural areas, the average house price increase last year was twice that of the average in urban areas. Communities are losing their long-standing social cohesion as young families are forced to move to find affordable housing, and it

221 Will Hutton, Open the gates and free people from Britain’s ghettos, Observer February 18 2007.
becomes increasingly difficult to attract key workers to a high-priced housing area. According to research by the Halifax, housing in 339 out of 519 towns is now unaffordable by key workers, up from 126 towns five years ago.

At the same time as property prices are becoming more inaccessible to future generations, the number of households in England is now projected to increase from 20.9 million in 2003 to 25.7 million by 2026, an increase of 23% or annual growth of 209,000. Whilst the Barker review estimated that 17,000 additional social housing units were required per year, its estimates were regarded as conservative when compared to the figures provided by the Centre for Housing and Planning Research at the University of Cambridge (CCHPR), which forecast a need for 48,000 new social rented units per year.

As supply has failed to keep up with demand, the number of new social rented units available for new social tenants has fallen. We have established that the number of social housing units built has in fact declined since 1995:

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However, the real problem lies not so much in the decline of provision as in the fact that the policy of simply building new social homes to compensate for increasing demand is misdirected. While we agree that new social housing should be provided in local areas of growth, the Hills Review has shown that if we are to ensure that quality social housing is provided for those in need and to assist those who wish eventually to own their own home, emphasis on managing the existing stock and on providing opportunities for those who live in existing social housing is crucial. Of the four million social rented units in 2005, more than 93% were ten years old. As Hills observed, ‘even if 40,000 new units were added each year for the next decade, we would already have nine-tenths of the social rented stock that we will have in 2016’.225

The graph below demonstrates that it is the turnover of existing dwellings which creates the greatest opportunity to obtain social housing. When turnover rose markedly between 1992 and 1999, this generated an additional 100,000 lettings – far in excess of anything that would be generated by any plausible rate of new build for social housing. By contrast, as turnover has fallen since 2000, this has reduced the number of new lettings by over 125,000 a year, dwarfing the number of new builds.

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Our evidence sessions have flagged the ‘silting up’ of social housing and the need for mobility to be improved. Annual turnover rates in the social rented sector are below 10 per cent: the DCLG Survey of English Housing\(^\text{227}\) shows that there is a much higher turnover in the private rented sector. Only 9 per cent of social renters had a length of residence which was less than a year compared to 38 per cent of private renters. But the entrenched position of many social housing tenants is much deeper than this. Of those living in social housing in 2004, 82% had been in social tenure ten years before.\(^\text{228}\) This lack of mobility towards owner occupation is despite the fact that 46% of current council tenants and 45% of Housing Association tenants want to become owner occupiers.\(^\text{229}\)

We believe that a refocus of government policy is required, and that enabling tenant mobility is key to improving the social rented sector. Re-letting is essential to freeing up supply, building mixed tenure communities and ensuring that tenants are not trapped into a cycle of deprivation with no ‘exit’ opportunities.

### 3.2.1. Community not Social Housing: A New Definition

In order to achieve this refocusing, social housing policy needs to recognise that home ownership is the ultimate goal for many families and individuals. It is the duty of government to help make this goal a reality. People’s needs change throughout their lives: the young who need a place to live and then financial help into home ownership; the elderly, mentally and physically infirm, who may need integrated housing, health and social care especially if they have modest or low incomes; those who need support simply to sustain a tenancy; and those who are newcomers into communities. The needs of local communities and employers are equally important. Good housing policies should recognise these changing needs rather than merely mechanically allocating a provision of housing stock. Social housing should be seen as, typically, a stage on a five stage journey:

- Social Housing
- Equity share/shared ownership
- Private ownership
- Sheltered housing
- Care home

\(^{226}\) Hills Review Summary p.15.

\(^{227}\) DCLG Survey of English Housing Figures: Table 802 Household characteristics: length of residence, by tenure, 2005-06 [http://www.communities.gov.uk/pub/342/Table802_id1156342.xls](http://www.communities.gov.uk/pub/342/Table802_id1156342.xls)

\(^{228}\) Hills Review p.52.

\(^{229}\) Hills Review p.70.
We call this new social housing concept “community housing”. This brings full recognition to the different phases of a person’s life, how social housing must be adaptable to these phases, and how local communities should reflect the changing circumstances of individuals.

Today’s society is far more mobile than previously. In the last three decades particularly, large numbers of people have moved home to where work is available. Increasingly, locality is of secondary importance to economic activity. For the future economic wellbeing of the country therefore, social and economic mobility must become a cornerstone of housing policy generally, and community housing policy in particular.

Moreover, the e-revolution has accelerated the importance of economic activity over geography, with e-enabled communities of interest now an increasingly potent force amongst the young and elderly. The concept of the home is rapidly changing, and social housing needs to adapt to meet these changes. According to the 2001 Census, just under 10% of the population work from home, double the number ten years earlier – a trend warmly welcomed on environmental grounds by the Conservative Quality of Life Policy of Group – yet many landlords still have tenancy agreements which bar the use of the home for business.230

Proposal 1 – We propose that there should be a new definition of the purpose of community housing based on addressing the needs of those who are unable to find a suitable housing product and on addressing the needs of employers to enable workers to live in close proximity to the workplace where public transport is weak.

We recommend that social and economic mobility should be cornerstone of housing policy generally, and of community housing policy in particular.

The aim of community housing must be to encourage greater home ownership, with a flexibility that will cater both for those in greatest need and for those struggling to find a home.

In order to understand how this new vision of community housing should be delivered and what measures of support we believe should be put in place to enable home ownership for the greatest number, this report follows the course of the early parts of the housing journey from gaining access to social housing, to placing a foot upon the property ladder. At every stage there is a role for community housing to play. As the report also demonstrates, however, this role is sadly not being fulfilled by our existing social housing framework. In highlighting its failure, we hope to draw conclusions on how it might be improved and how it might achieve success.

3.3. Access to Social Housing: The First Steps

3.3.1. Homelessness: the Current Situation

The full extent of homelessness is far wider than official government statistics at first sight reveal. In 2005, Local Authorities accepted the duty to house 100,170 households (not individuals) who were classed as unintentionally homeless and in priority need (compared to just over 100,000 in 1997). But these figures do not reflect the full scale of the problem because they do not include the number of households to whom the local authority has no obligation.

A much larger number of households, 162,990, were actually found to be homeless by local authorities in 2005, and this discrepancy is particularly acute amongst single households. In 2005 only 47,800 single homeless households were categorised as in priority need and therefore found some form of

230 Smith Institute, *Rethinking Social Housing*, p.13.
accommodation by the local authority compared to 48,990 who were classed by local authorities as homeless but were not found to be in priority need. However, even these figures seem likely to understate the problem: according to evidence we received from Crisis, there are in fact around 380,000 single homeless people in Great Britain — around four times the number recognised by local authorities. This includes those staying in hostels, B&Bs, squats, on friends’ floors and in overcrowded accommodation.231

Homelessness is of course a highly sensitive issue; solutions to it require a detailed understanding of each individual need. Simply obtaining social housing for those who are intentionally homeless will be bound to fail without an appreciation of these needs. 1 in 4 ex-homeless people find themselves unable to sustain a tenancy – loneliness & isolation are main causes, often compounded by lack of choice about where they can live. As a result, 50% of homeless people have been homeless more than once. Often the problems are far more ingrained: many homeless people have records of mental illness, while 37% of homeless people have no qualifications; only 2% are in full-time employment, 12% part-time.232 Yet homelessness should not just be seen as a minority problem affecting the extreme disadvantaged. Shelter told us that they had been increasingly contacted by individuals whose homes have been repossessed for failing to keep up with mortgage repayments, those who would like to become home owners, and those who cannot access social housing.

If homelessness is to be effectively tackled, we must ensure that Community Housing protects not only those most in need and considered priority cases by local authorities, but every person who finds themselves without a home, for whatever reason. We consider that there are three overarching principles for solving homelessness:

- Homelessness is about more than rooflessness – people become and stay homeless for a whole range of complex and overlapping reasons;

- Tackling homelessness requires individualised solutions and we must address the range of issues that it can create – packages of support need to be designed around individuals not problems; and

- Reintegration into society should be the long-term goal of all homelessness policy – by helping individuals reskill, find work and build positive social networks within their community.

The current simplistic policy of placing those without a home in temporary accommodation is not working. First the number of people being placed in temporary accommodation is becoming unmanageable – up from 44,000 in 1997 to over 100,000 in 2005. Second, this accommodation is becoming far from temporary: over recent years, the percentage of households who spend 2 or more years in ‘temporary accommodation’ or who are recorded as ‘homeless at home’ has been increasing. In the second quarter of 2006, 37% of households in London had previously spent 2 or more years in temporary accommodation or as ‘homeless at home’, four times as high as the same period in 2000 and 8% higher than the second quarter of 2005.233 This current situation is far from ideal. 45% of hostel residents are ready to move on but are not able to do so due to the lack of appropriate accommodation.234

We believe that greater support needs to be offered to those entering social tenancy so that those groups at risk remain off the streets, perhaps in the form of a mentoring scheme through which personal assistance can be offered. These ‘mentors’ should not solely be aimed at the homeless, though

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231 Crisis, How Many, How Much?, 2003
232 Crisis, Homelessness & Loneliness, 2001
233 DCLG, Homelessness Statistics, 2006
234 Homeless Link, No Room to Move, 2004
we recognise that the long-term and intentionally homeless will have particular needs. Research by Homeless Link indicates that, while 28% of moves from homelessness need to be to general needs social housing, 51% require longer term supported accommodation or care. For those uncertain how to manage the formal paperwork of an application for social housing or how to participate in home ownership, there needs to be an advice service that will follow a person through every stage of the community housing journey. Maclennan has proposed a ‘formal review process’ led by a ‘tenancy mentor’ for new and young tenants with the purpose of helping tenants to make better informed choices (such as personal housing plans)\textsuperscript{235}, and we have been struck by similar examples already in practice. Cheltenham and Bournemouth Borough Councils now offer ‘housing solutions’ services, entailing a range of advice and options for anyone with a housing problem. We have also been impressed by the effectiveness of the ‘Home Options’ scheme offered by the NHHT.

\textit{NHHT is “an entrepreneurial social business” that predominantly owns properties, but also leases and part-owns properties with tenants. The trust works with over 30 local authorities, private developers, private landlords and registered social landlords in order to “help people achieve more for themselves by offering homes they can love, services that empower them and homeownership they can afford.”}

\textit{NHHT has recently piloted a one-to-one advice and information service called ‘Home Options’. This involves NHHT advisors working closely with their tenants in order to help them realise what homeownership entails, with the aim of helping them to make an informed decision on how they might achieve this.}

Proposal 2 – We propose that an incoming Conservative government should encourage more local authorities to switch the balance of resources in this policy area from reactive bed and breakfast provision to pro-active personal support through a scheme of ‘housing mentors’, whose responsibilities will include the periodic assessment of people’s housing needs, their ability to achieve sustainable employment, independence from benefits and market housing. Housing mentors would work closely with local social services.

Housing mentors would provide more general advice on the extended range of housing products that are available to tenants and others.

Although Housing Associations and Local Authorities should provide access to Housing Mentors, there should be a role for social enterprises and the voluntary sector to provide the service itself.

3.3.2. Getting Off the Waiting List

We recognise that there are too many people currently waiting for social housing. Waiting lists are unacceptably long, and are growing longer. 1.5 million households are on waiting lists for social housing – a 40% increase since 2002.\textsuperscript{236} In London, the number of people waiting for social housing has risen dramatically over the past few years, from 242,000 in 2003 to over 330,000 in 2006.

\textsuperscript{235} Maclennan 2007 ‘Looking forward, aiming higher’ p.39.
\textsuperscript{236} DCLG (2005) Housing Strategy Statistical Index.
Social Housing is designed to give priority to those in greatest need. The procedures and priorities for the allocation of social housing by local authorities are set out in an allocation scheme by each local authority, detailing how ‘reasonable preference’ will be given to certain categories of people in need of housing.

The requirement of ‘reasonable preference’ has existed since 1936. But the exact definition of how this preference should be distributed and what is indeed ‘reasonable’ has changed over time. The number of categories has expanded as pressure on the social housing stock has increased. As a result, demand has increasingly exceeded supply.

**Who has Reasonable Preference?**

Reasonable Preference is set out in section 167 of the Housing Act 1996, and amended by the Homeless Act 2002. The categories are:

- All homeless people. Local authorities also have a statutory duty to provide secure accommodation for those who fall within a ‘priority need’ group which includes households with a dependant child, a pregnant woman or other vulnerable person (mental or physical disability, old age); homeless 16-17 year olds; 18-20 year olds formerly in care; those fleeing their home because of violence; those vulnerable from time spent in care, custody or the armed forces;
- People living in overcrowded, unsanitary and unsatisfactory housing;
- Disability, medical or welfare grounds; and
- Those who need to move to a certain area to prevent hardship.

Proposal 3 – We propose that there should be a formal review of waiting lists policy in order to address the current fast track access to social housing for applicants that are currently deemed to be in priority need. Priorities will need to be redefined to ensure that those genuinely in greatest need gain access.
3.4. Social Housing: The Challenge

The problems of homelessness, temporary accommodation and lengthy waiting lists that exist at the beginning of the journey into social housing are in part a knock-on effect of the barriers to exit and to mobility within the social housing sector. Since existing tenants who wish to move are treated in the same way as new applicants, any chance of moving without ‘reasonable preference’ will be severely restricted. Whereas a third of private tenants in 2005-06 had moved in that year to a new property, only one in twenty social tenants had moved within the sector, and only 11,000 had moved into owner occupancy without using the right to buy. 237 But the problem is far more serious than this. As has been mentioned, of those living in social housing in 2004, 82% had been in social tenure ten years before. 238 The following section investigates their current condition, and the welfare of those living in social housing.

The description of many of those living in social housing in our cities is a bleak one, characterised by dependency, worklessness, poor education and health. A third of people living in social housing have incomes in the poorest fifth, and 70% are in the poorest two-fifths. The proportion of social tenants in employment has fallen since 1981 from 47% to 32% and those in full-time employment from 43% to 22%. 239 Over half of those of working age living in social housing are now without paid work. The chart below, taken from the Hills Review, illustrates the change in employment status of social rented households between 1981 and 2006. 240

![Employment Status Chart]

The picture is one of a collapse into dependency: as Hills effectively summarised, ‘the chance of someone in social housing having both of their nearest working age social tenant neighbours in full time work had fallen from just under half to one in nine’. 241

The slide towards increased deprivation in social housing areas is particularly marked as a result. The proportion of social housing in the most disadvantaged areas has grown since 1991, with 49% of all social housing being located in the 20% of neighbourhoods with the greatest deprivation. 242 Compared with other European countries, the income differences in the UK between social renters and owner occupiers are far higher. As the graph below demonstrates, the link between social housing and deprivation is becoming stronger, exacerbating the problems that social housing communities face.

237 Hills Review p.51.
238 Hills Review p.52.
239 Hills Review p.45.
240 Hills Review p.46.
241 Hills Review p.46.
242 Hills Review p.91.
In estate areas, the problem is particularly pronounced — 40% of all formal unemployment is within these areas; of those who are working, a third have incomes in the poorest fifth; this rises to 45% of flatted estates.\footnote{Hills Review Summary p.11.} It is these estates where the Right to Buy (RTB) has failed to make a significant impact in breaking open the tomb: only 12% of flats have been sold under RTB, making up just 4.5% of all RTB sales. Social housing is now concentrated in these areas — two-thirds of social housing is located in flatted areas, where 73% are still owned solely by social landlords.\footnote{Hills Review pp.88-89.}

Though there are other factors which contribute to the rate of worklessness, the data suggest that concentration in social housing compounds worklessness: of those with no qualifications, only 43% outside of social housing are workless, yet the figure is 70% for those who live in social housing.\footnote{Hills Review p.101.} Unemployment is also more likely to become a long-term feature for those who live in social housing: of those in social housing who were employed in 1994, 4.1% are now unemployed (compared to 1.4% in owner occupied areas) and of those in social housing who were unemployed in 1994, 15.2% were still unemployed ten years later. Including inactivity rather than just registered unemployment makes the figures substantially worse; just 48% of those who were unemployed social tenants in 1994 had found employment ten years later.\footnote{Hills Review p.105.} And while those who remain in social housing have fallen into a cycle of unemployment and dependency, they are being joined by new tenants whose background is strikingly similar: just 23% of new housing tenants work and do not claim housing benefit.\footnote{Smith Institute, \textit{Rethinking Social Housing}, p.10.} In one sense, the figures quoted here might be seen as a measure of success, of helping those most in need. But the problem is that, as the figures show, those most in need are more likely to remain in need once they enter social housing.

The proportion of social tenants who are ‘other inactive’ and ‘permanently sick or disabled’ has also risen to a quarter of all those of working age, while those with a serious medical condition has risen from 38% to 43% in the past decade. Social tenants are more likely to suffer from overlapping disadvantages that militate against them getting into the labour market. 39% of social tenants have two or more disadvantages compared with 13% of private tenants. But, even amongst those who suffer from such disadvantages, those living in social housing fare much worse compared to those in similar circumstances in other sectors. Of those with two overlapping disadvantages, elsewhere the overall
employment rate is 53%, but for social tenants it is less than a third while, of those workless and with no labour market disadvantages, 29% are workless within social housing, compared to 13% outside.249

Our social housing estates reflect the social breakdown that has taken place among the poorest in society and that is chronicled in the report of the Conservative Social Justice Policy Group. 35% of households on flatted estates are lone parents compared with 14% of lone parents outside of social housing. 63% of these do not work and are classed as ‘other inactive’.

The effect is not only upon one generation, but upon generations to come. Growing up in social housing has been found to have a strong adverse effect on educational achievement and its consequences. The following information was shared with us by Shelter250:

- Children miss an average of 55 school days due to the disruption of moves into and between temporary accommodation;
- Children living in bad housing are twice as likely as other children not to get any GCSEs and twice as likely as other children to suffer persistent bullying; and
- Experience of multiple housing problems increases children’s risk of ill-health and disability by up to 25 per cent during childhood and early adulthood.

Strikingly, the extent of this disadvantage has been getting worse. Studies comparing the birth cohorts of 1958 and 1970 have demonstrated that growing up in social housing is well above other forms of social disadvantage in helping to contribute to adverse adult outcomes, and as a proportion has increased.251 This ‘pervasive link’, as Sigle-Rushton has described it, makes its impact felt on almost every aspect of adult life.252 Children growing up in social housing are twice as likely to end up with no qualifications by the age of 30 as those growing up in owned homes, 1.5-1.7 times more likely to be low earners and over twice as likely (2.2 times) to be unemployed.253 Children who were between the ages of 11 and 15 and growing up on social housing have a far higher rate of unemployment today: 18.5% were unemployed in 2004, compared with 4.4% of similar aged children living in owner-occupied homes.254 Yet these problems do not merely extend to opportunity: there is strong evidence that the quality of housing is linked to poor health. Indeed, the Public Health Report 2004 estimated the annual cost to the NHS of treating ill-health as a result of sub-standard housing to be £2.4 billion.255

Much of this can be put down to the quality of social housing. 1.1 million social homes are within the most deprived tenth of neighbourhoods – 700,000 of these either fail to meet the Decent Homes Standard or have liveability problems.256 Social tenants have a quarter less space than owner occupiers, and of these 30% are dissatisfied with their homes, compared with less than 10% of owners.257 Yet whereas the median floor space per person in the private sector has increased in the past ten years (from 36.8 to 37.6 square metres) this has declined in the social sector (from 32.0 to 31.6 square metres).

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249 Hills Review p.102.
250 Shelter’s response to The Wellbeing of the Nation, January 2007
253 Hills Review p.110.
254 Hills Review p.105.
255 Public Health Report, 2004
256 Hills Review p.91.
257 Hills Review p.36.
The increased concentration of deprivation in areas of social housing has also made its impact felt on tenants. Surveys show that social tenants are more likely to report issues such as high crime, drug dependency and fear of burglary: more than a fifth of social tenants in flatted estates report the presence of drug dealing as a serious problem in their area. This leads to a culture of fear and insecurity about the surrounding environment. 18% of social tenants living in flatted estates report that they feel unsafe outside in the light, and over 50% when it becomes dark. One in seven are also very dissatisfied with their neighbourhood.

While our social housing supply is allowed to remain in its current state, with its current poor levels of access and mobility, we are concerned that these levels of poverty and ensuing deprivation will only continue to worsen. It must be a priority of a Conservative government to address the severity of these deeply troubling problems. Community housing, unlike existing social housing policy, must aim to lift those in greatest need out of dependency, rather than entrenching dependency itself. We must break open the living tomb that currently exists if we are to allow social tenants to continue on their journey towards home ownership. The following section sets out how we believe this can be achieved.

3.5. Getting Mobility into Social Housing

3.5.1. Towards Mixed Communities

The creation and management of “mixed communities” should be an overriding policy objective. Extensive research into mixed communities\(^\text{258}\) has highlighted the need for new and existing developments to managed to ensure they become mixed communities. Mixed communities can be a mix of incomes, tenures, demographics and ethnic groups, and this mix can be caused by a range of factors, some active and some passive. Most importantly they should respond to local needs. We recognise that concentrating deprivation magnifies the individually negative aspects of being in poverty: low educational achievement, poor mental and physical health, worklessness, the likelihood of being a victim of crime or committing a crime, low self-esteem and well-being while often reducing access to more mainstream services, such as financial and essential retail services.

Mixing communities helps breakdown these social ills and helps wider community cohesion. Evidence we heard suggested that 60% owned, 40% rented is the right mix, though the Notting Hill Housing Trust indicated that 33% rented, 33% part owned, 33% owned might be an ideal mix. Local authorities need to be granted further flexibility to allow them to sell-off their stock on mono-tenure estates to create mixed communities, as long as the monies raised are re-invested, perhaps by buying open market housing for social renting in mono-owner occupation areas. We recognise that there are already good examples of how this might be achieved. We were particularly struck by the Joseph Rowntree Foundation’s ‘Selling Alternative Vacancies on Estates’ – “SAVE” – scheme as a means of achieving mixed communities and propose that these be expanded in order to help create sustainable community housing without residualising and stigmatising existing stock.

\(^{258}\) Summarised by: Foundations: Mixed Communities, 2006 (JRF)
The New Earswick example demonstrates that new social units are not always the answer to the problem of how we develop better social housing. New homes account for just 0.004% of housing stock each year. It is not sufficient to focus attempts to build mixed communities through building new ones. Renovated estates – as the experiences of housing estates in London and successful examples in Sweden demonstrate – can not only rejuvenate social housing but also transform and regenerate the surrounding neighbourhood. We must ensure that if our current supply of social housing is expanded, the current stock becomes more viable, free from the concentrations of deprivation and dependency which the previous chapter outlined. Our community housing must exist on a level playing field.

Proposal 4 – We propose that attention be paid to ensuring that every area of social housing should work towards a greater mix, and that measures be taken to break open the ghettoised estates which have developed over recent years.

We recommend that models of ‘like for like’ transfers upon estates using locally administered RTB be encouraged in order to maintain the social and economic mix upon estates.

Local authorities and registered social landlords should have the right and the duty to concern themselves with the mix of local communities.

In order to accelerate the pace of this change, one option might be to establish a biddable RTB fund through which mobility might be able to take place. Receipts from RTB that are currently returned into a central government pool and respent on housing in ways determined by central government could instead be recycled into areas of greatest need not by allocation, but through this biddable fund to which local authorities and housing associations would apply.

Proposal 5 – We recommend that a biddable RTB fund be established, through which local authorities and housing associations can apply to finance mixed community projects.

3.5.2. Sustainable Communities and Neighbourhoods

Our aim is to create sustainable communities built on mixed incomes and on the acceptance of social responsibility. This is a 21st century approach that will encourage a 21st century lifestyle to go alongside it.

The idea of a local neighbourhood which is home, where a person belongs, is deeply rooted. Recently there has been much interest in ways of creating more community involvement at local level, and some

New Earswick, York

In the 1990s, the JRF became concerned that its estate in New Earswick, York, was becoming stigmatised through increasing levels of deprivation. Better-off tenants had been encouraged to leave through the Tenant Initiative Scheme, and new tenants came from backgrounds of greatest need. In order to prevent this residualisation, the JRF began to sell alternate properties that became vacant on the estate, using the proceeds to replace them with new homes elsewhere. The composition of the estate has now entirely changed, and prices have risen to a point where each sale generates the capital needed to replace it with a social unit elsewhere in York. As a result, the stock has been diversified without being diminished, and the social and income mix within the estate has improved.

259 Smith Institute, Rethinking Social Housing, p.32.
promising pilot schemes, for example the Royds Community Organisation in Bradford as well as a plethora of small government initiatives, have produced interesting outcomes in community well-being. Against the promise of commitment to localised community development, however, much recent policy has been to drive ever more centralised controls over housing, and ‘economies of scale’ direction for ever larger units of funding recipients. The extra layer of regional government controls in planning and housing has further hindered local decisions.

We believe that allowing local authorities and through them local communities to have a bigger say in the decisions which affect their environment is an essential ingredient in the well-being of every individual. We recognise that many decisions will have to remain at higher levels, and not all residents would wish to be involved in decision-making. It is clear, however, that the goal must be greater devolution. All the evidence suggests that healthy communities and satisfied citizens are more likely where there is a real devolution of power to a very local level.

Neighbourhoods need to have a clear identity which is recognisable and owned by those living there, not necessarily determined by central diktat or administrative convenience, but by residents’ own sense of where they, their families and friend shop, go to school or church and find their recreation. Local amenities and public spaces have an important part to play in defining neighbourhoods, and housing associations have offered some excellent examples of how a local scheme of housing coupled with provision of local amenities and employment opportunities can generate a sense of community pride and ownership.

Housing has a central role in defining neighbourhood. The Joseph Rowntree Foundation’s work on implementation of the neighbourhood or localism agenda has identified a number of levers which would bind different levels of government into implementing the devolution policy. These include devolved budgets for local service delivery and development, and devolved monitoring and performance management. This chimes well with what we have been told by those working in the field about how constrained they are in responding to their communities by the regulations from the centre, and by the structures of inspection and monitoring to imposed national criteria which may not always be relevant to their own local priorities.

Proposal 6 – We propose that community housing should, where possible, be administered at a local level, with local decision making informing the best methods of creating mixed and sustainable communities that will reflect the needs and priorities of the local area.

3.5.3. Creating Sustainable Communities: the Right to Buy and Leaseholders

Given that the aim of most of those who set out on the journey of community housing is to be home owners, we endorse the Right To Buy as a means of creating sustainable communities. This scheme has created stability within areas of social housing, allowing for a greater sense of community and neighbourhood to flourish. 50% of those who had exercised the RTB were still in the properties fifteen years later.
We recognise that RTB purchasers and leaseholders are an important part of creating sustainable and mixed communities. Recent repair bills under the Decent Homes Standard, however, have seen leaseholders face charges of approaching £40,000. We believe that more must be done to protect leaseholders against these high charges if we are to encourage mixed communities in which the private and social sector exist side by side.

Proposal 7 – We recommend that there should be a cap of £10,000 on leaseholder repair bills.

Preserved Right to Buy

Local Authority tenants who become Housing Association tenants as a result of a transfer of stock keep their Preserved Right to Buy, so long as they stay in the same property. If moving to a different property owned by the same landlord, they keep this PRTB. However, if tenants move to a property owned by a different Association, this PRTB is lost. We believe that if we are to encourage greater home ownership and mobility, the PRTB should remain regardless of the move.

Proposal 8 – We recommend that tenants who move between Housing Associations retain their Preserved Right to Buy.

3.5.4. Leasing Mobility: Housing Associations

The make up of social housing has dramatically changed over the past twenty years. As the supply of municipal dwellings has decreased, the pendulum has swung towards housing associations as ‘enablers’ of social housing. For instance, in 1979 councils owned 15 homes for every one let by an association; now associations own two for every three let by councils.

If the future of community housing lies in the hands of housing associations, it is clear that they will need to adapt to meet the varied and changing needs of the social tenant population. Work by Duncan MacLennan for the JRF has argued that Housing Associations need to become more dynamic and entrepreneurial in their production of housing to fully meet UK household needs. The Joseph Rowntree Housing Trust is currently highlighting how this might done through a planned development in York\(^{260}\) whereby it will build around 500 units, but sell off half of these on the open market to cross subsidise social rented and care units and ensure that the community is mixed. This development is

highlighting the need for RSLs to form partnerships with private developers and local authorities to ensure sufficient land is available and efficient outputs. This also means that long-term management of neighbourhoods can be provided with a range of resident services offered.

Proposal 9 – We recommend that greater co-operation take place between housing associations and private developers, creating partnerships that can help deliver sustainable communities. Only once every sector is fully engaged with improving social housing will we deliver an effective stock.

Proposal 10 – We also recommend the establishment of a new national fund that will target public money into local schemes that provide sustainable medium-to-long term affordable rented housing in areas where it is needed. Limited schemes of this kind exist in some local authority areas, but more money needs to be made available if the nation is to have sufficient of this kind of housing for future generations.

3.6. Lettings and Benefit

3.6.1. Choice-Based Lettings

Until recently, most lettings in the Social Rented Sector (SRS) have been based on ‘allocation systems’ based on the size of property and priority on a waiting list. Prospective tenants can accept or reject an offer, but may have to drop down a waiting list if they refuse. Choice based lettings, however, work along similar lines to the private rental market: vacancies are advertised, and prospective tenants can then ‘bid’ for the property by a certain date. The person with the highest priority (such as the longest waiting time within a ‘band’ need of category) will then win the bid. The introduction of this scheme has proved positive: applicants benefit from the degree of choice and element of control, whilst the system has resulted in faster relet times for vacant properties and a reduced turnover of 10-20% once tenants take a vacancy. It has also been well received by social landlords themselves. As a report into the effect of Choice Based Lettings summarised:

“Choice based lettings represent a radical departure in the traditionally rather paternalistic world of social housing. Although it implies some transfer of power to the customer, the CBL concept has caught the imagination of many housing staff. It has been embraced by numerous landlords as symbolising a commitment to modernisation”.

By April 2006, 32% of local authorities had introduced this system, with the Government intending that all local authorities will have introduced choice based lettings by 2010. We are concerned that the spread of this system in Housing Associations is noticeably slower, with only 77 using the scheme by 2005, and hope that the rate of uptake can be encouraged.

Proposal 11 – We recommend the system of choice based lettings and propose that this system of greater choice be more widely adopted as a means of empowering individuals and raising mobility.

3.6.2. Assured Shorthold Tenancies (ASTs)

‘Social housing, with its Assured and Secure Tenancies, is silted up and there are no vacancies for even those who are homeless (100,000 families in temporary accommodation). In social housing there is minimal mobility and many families are overcrowded (while others are under-occupied).

‘We need a tenure-blind future’

261 Monitoring the Longer Term Impact of Choice Based Lettings, DCLG Housing Research Summary 231, 2006.
Subject to the outcome of the delayed ‘The Rented Homes Bill’ which was presented to Parliament in May 2006, private landlords and RSLs, but not local authorities, may use ASTs. The grounds for possession with an AST are far less onerous than in the case of a Secure Tenancy, or in the case of the ‘Assured Tenancies’ offered by housing associations which are similar to Secure Tenancies.

Many compelling arguments were presented to the group for the introduction of ASTs across the social housing sector. At the heart of this proposal is a belief that social housing creates and worsens dependency on the state. By moving to one type of tenure across private, social and the voluntary sector (ie AST) a level playing field is encouraged, giving the tenant an experience of the consequences of their behavioural and financial actions. Current security of tenure enables tenants to continue with a poor payment record and anti-social behaviour to the detriment of the wider community.

Proposal 12 – We therefore propose that in order to increase mobility within the social housing sector, tenants should receive Assured Shorthold Tenancy in their first year.

3.6.3. Housing Benefit

It is not possible to consider how we might achieve our ambition of community housing without a consideration of the current housing benefit system, which 60% of tenants in social housing receive. It is worth remembering that at £13 billion a year, the housing benefit bill outstrips capital subsidy by a ratio of 6.5 to 1. Converting just £1.5 billion of this into capital subsidy would allow for the estimates of annual social housing requirements outlined in the Barker report to be met.264

Housing Benefit helps million of the poorest households to pay their rent; but, despite improvements, is still very inefficiently administered. This can lead to rent arrears, evictions and direct incidences of homelessness, repeating the cycle which our new definition of community housing is attempting to break. The complexity of the benefit itself — it takes on average 33 working days to process a new Housing Benefit claim but the worst-performing authorities take more than 100 days — ensured that in 2002/3 up to 680,000 households failed to claim up to £1.4bn in Housing Benefit each year.

As the Hills Review has demonstrated, the current Housing Benefit system is a major contributor to the ‘poverty trap’. As claimants’ incomes rise, there is in turn a steep withdrawal of funding, which has a significant impact on the desire to work and save. A couple with two children paying a private rent of £120 a week would gain only £23 (net of housing benefit withdrawal and other tax credit withdrawals) if earnings rose from £100 to £400. Yet it if they paid a social rent of £60, the gain from the same rise in gross income would be twice that, at £55.

The formula for calculating Housing Benefit does not incentivise recipients to seek the best deal or economise. Partly as a result, the amount of housing benefit spent on renting temporary accommodation (which in London can reach £300 a week) rose from £116 million in 1997-98 to £587 million in 2005-06.265

263 Sarah Webb (Director of Policy and Practice) CIH, UK Social Housing Futures, AHI Seminar 16 November 2006
264 Smith Institute, Rethinking Social Housing, p.29.
265 Hills Review p.121.
A reform of the housing benefit system would be to pay the benefit directly to tenants rather than landlords and to make the size of the payment depend on the financial and family circumstances of the recipient rather than on the cost of the accommodation. The success of early pathfinder pilots has demonstrated that housing benefit claimants are less stigmatised if payments are made to the tenant and the landlord does not know that the tenant is receiving housing benefit, whilst the prospect of managing cash flows has had significant benefits in terms of financial inclusion, with many more tenants opening bank accounts as a direct result. There is also evidence that direct payments based on the tenants’ financial and family circumstances lead to greater negotiation between tenants and landlords over rent as tenants shop for the best deal – and that tenants in possession of such direct payments tend unsurprisingly to seek property more closely matched to their household size. More surprisingly, but reassuringly, the pilots show that direct payments do not seem to lead to major problems of rent arrears, or of tenants choosing inappropriate property in order to cash the difference between the allowance and the rent.

We therefore welcome the fact that direct payment Local Housing Allowances are expected to be rolled out nationally in 2008. But it is regrettable that the current government have no plans to extend this scheme to tenants within the social rented sector. We believe that extending the direct payment scheme to social rented sector tenants would be an important step towards increasing mobility within social housing where few tenants have any incentive to move to another tenure, whilst at the same time empowering claimants and reducing levels of dependency.

Proposal 13 – We recommend that over time, and as fiscal constraints permit, housing benefit in the private and social rented sector be paid at a fixed rate to the tenants themselves.

The current Government’s Local Housing Allowances, however, suffer from another disadvantage in addition to the fact that they do not cover tenants in the social rented sector. They will prevent the difference between the LHA and the actual rent paid by the tenant being greater than £15 per week. This will reduce the amount of choice that tenants will be allowed to wield, and will mean that the administrative burden will still remain high, since local authorities will need to track individual rents in order to impose this restriction.
Proposal 14 – We recommend that there should be no maximum difference between the fixed rate benefit and rent, in order to give greatest choice to the tenant.

Meanwhile, benefit assistance for owner-occupiers in the form of Income Support for Mortgage Interest (ISMI) has fallen from 500,000 claimants in 1994 to around 200,000, whilst assistance in the form of support for private sector renewal and energy efficiency has fallen from £641million to £341million.

Proposal 15 – We believe that these alternative forms of housing benefit are important to incentivising and increasing home ownership, and recommend that a broader outlook be taken on the current benefits policy to include groups such as owner occupiers who are in need of assistance.

3.7. Providing Greater Access to Home Ownership

Home ownership is a fundamental part of any sound housing policy. Low Cost Ownership schemes have had a major impact upon the housing market, with nearly 1.9 million social homes purchased under such schemes since 1980. Yet, in the past seven years, the Government-funded scheme for low-cost home ownership (LCHO) has helped only an average of 6,000 people a year to buy a stake in their homes, compared with an estimated demand of 60,000 households per year. The National Audit Office has asked for better targeting of this assistance at those most in need, as well as more efficient administration of the scheme.

Research undertaken recently for the Joseph Rowntree Foundation has highlighted that in Great Britain 45.4% of working households cannot afford to buy a 2 or 3 bedroom property in the lowest quartile of house prices in their area.266

The current reality is one of limited choice for households as a result of undersupply: people are unable to afford alternative housing options and are becoming increasingly dependent on rent, either supported by housing benefit or in the social rented sector or both.

Research conducted in January 2007 showed that 84 per cent of those interviewed wanted to be in owner-occupied accommodation in ten years time.267 While home-ownership aspirations have increased across all age groups, the movement is disproportionately strong in young adults. The proportion of adults under 25 who would like to be home-owners within the next two years has increased from c.40% to 50% over the past five years. The graph below shows the gap between desired and actual home ownership.

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266 The geography of affordable and unaffordable housing: And the ability of younger working households to become home owners, Steve Wilcox, 2006 (JRF)

267 CML Housing Finance Issue 01 2007 (http://www.cml.org.uk/cml/filegrab/Attitudestohomeownership.pdf?ref=5252) quotes market research into various aspects of the housing and mortgage markets undertaken for us by BMRB Omnibus Surveys in January 2007. The research was based on a face-to-face survey of 2,814 adults aged 18 and over in their homes in Great Britain.
We believe that there are already many schemes in practice which can encourage home ownership. These should be encouraged and fostered in order to improve access to community housing at the same time as improving mobility. A range of strategies could be used from encouraging the private sector to build smaller and cheaper, but better designed starter homes, to shared equity, homesteading/sweat equity/self-build, better transport links to cheaper areas, selling vacancies in the Council stock, low interest loans (similar to student loans), longer term mortgages, savings schemes, rent to mortgage schemes in the private rented sector, links with public sector and other employers to provide accommodation for employees, use of unwanted and unused spaces e.g flats over shops, petrol stations, supermarkets, in disused garages etc. The following section sets out existing models that we would wish to promote and how these might be made more effective to encourage home ownership.

### 3.7.1. Right to Buy

The right to buy has helped hundreds of thousands of families to increase their wealth and to obtain a stake in property; we believe that it should be more widely available to all who wish to exercise this choice. However, the effectiveness of the RTB scheme in England and Wales has been hampered by the reduction in maximum discounts. Maximum regional discounts introduced in 1999 have been further reduced to just £16,000 by local maximum discounts applied in 2003, a fall £34,000 less than the maximum discount which applied in 1989 at a time when property prices were significantly lower. These measures have not affected Scotland as the graph below demonstrates.
The number of purchases under the RTB scheme has fallen since these discount limits have been put in place – in the past year, RTB sales have fallen from just under 50,000 to 26,555 in 2005/6.

Analysis undertaken by Professor Steve Wilcox has highlighted that RTB can represent value for money for the registered social landlord selling the house to the tenant if discounts are set at the right local level (the discount and rent payments set against the period of occupancy for which there would have otherwise been a need for subsidised rents and/or continued property maintenance). For England, Wilcox calculated that the value for money level of RTB discount would at present average around 30-35%. These calculations are all based on the assumption that the stock is replaced with affordable housing or socially rented accommodation.
Proposal 16 – We therefore propose that in order to maximise the effectiveness of the Right To Buy scheme, there should be a reassessment of the level of discount that is currently being offered, with an aim to make RTB an affordable means for social tenants to obtain a foothold on the housing ladder.

3.7.2. Shared Ownership Schemes

The Right To Buy will, however, be unaffordable for many tenants as a result of rising house prices, even with significant discounts: it has been estimated that only 5% of social rented sector tenants between the ages of 30-44 could today afford the full cost of an undiscounted purchase of RTB, compared with 20% of social tenants of the same age who could afford an undiscounted purchase in 1997.268

There is accordingly a great need for shared ownership or shared equity schemes which allow tenants to buy part of the equity in the property while renting the rest, or sharing gains in the property value with a lender in return for lower initial payments. This allows purchasers to get a first step up on the property ladder, with the later ability to ‘staircase up’ and own a larger share later, when they might not have been able to afford to buy.

Shared ownership schemes not only provide an incentive for ownership, but also have the advantage to the public sector that the level of capital grant per unit is around half that for a housing association to produce a unit to let at a normal social rent: £26,800 compared with £61,100.269

There are several forms that shared ownership can take, allowing tenants to choose which scheme might work best for them. The box below outlines some of the schemes available.

**Shared Ownership**

The purchaser buys part of the home, under a shared ownership lease, and pays any remaining rent on the property – usually capped – to an organization such as a housing association. Shares in the equity of the property usually start around 25% and further shares may be bought.

**Shared Equity Mortgage**

The purchaser owns the deeds to the whole property, but either a private lender or housing association (or both) has a stake in the value of the property through an equity loan. This must be repaid upon sale of the property. For instance, if a property is purchased with a 60% mortgage and 40% equity loan, when the property is sold, the lender of the equity loan is owed 40% of the sale price.

Since 1 April 2006, three new LCHO products have also been made available. These are:

**Social HomeBuy**

This is open to existing tenants of social landlords who cannot afford RTB or RTA. Sales are on a shared ownership basis, with a minimum purchase of 25% of the equity. The rental charge on the remaining 75% is set with a target rate of 2.75% of the capital value and capped at 3%. Buyers receive a discount on the initial share purchase, of between £9000 and £16000 depending upon the local authority area. This discount is only available on the first share purchased. Staircasing upwards in shares of 10% is then possible. Shared ownership tenants are responsible for all the repairs and maintenance, and if the shared owner carries out improvements which add to the value of the property, this is taken into account when they wish to buy a further share.

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268 Hills Review p.140.
269 Hills Review p.129.
Open Market Homebuy

The buyer pays around 75% of the purchase price, but is assisted by loans totaling 25% of the purchase price – split between a Housing Association acting as a HomeBuy Agent and a participating lender. The repayment on this loan is possible in minimum tranches of 10% to 100%, however there are no interest charges on the lender’s equity loan for the first five years and charges are capped at 3% for a further five years. This scheme is open to a defined group of key workers, social tenants, those waiting on housing lists and first time buyers identified as having priority by Regional Housing Boards (for instance, someone who has lived or worked in the area for more than two years and is not currently an owner occupier, with a household income of under £50,000). 

New Build Homebuy

This scheme works in the same way as Social Homebuy, allowing key workers and social tenants to buy a share in a new build property of 25% through the same formula.

Evidence has shown that some lenders and consumers prefer the Homebuy scheme over shared ownership, since there are two parties involved rather than three, allowing for a simpler transaction.\(^{270}\) However, the scale of shared ownership remains small: in the past 15 years, a total of 150,000 shared ownership units have been financed.\(^{271}\)

We recommend that there should be a greater focus upon encouraging and incentivising shared ownership schemes, while making these schemes more accessible to those who may struggle even at the 25% equity share level.

There are already examples of more accessible shared ownership schemes. The Notting Hill Trust has piloted their own Social Homebuy scheme, which does not charge rent on 25% of the unsold equity. This made shared homeownership possible for those who otherwise might not have been able to afford to do so. We were told that a 25% share in a £200,000 house is usually affordable to someone on £27,000 PA.\(^{272}\) The trust’s discounted model extends SHB to someone on about £22,000 PA. The scheme also attracted tenants who could afford SHB under the standard model but needed more of an incentive to move from the cheaper rented option to home ownership.

Some potential social homebuyers had investigated shared ownership and dismissed it because they felt it did not offer value for money. The discounted rent model attracted them as a ‘good deal’. Cheaper rent has allowed Social HomeBuyers to use more of their income on the capital purchase and so increased the initial receipt from the sale. For instance, on a property worth £200,000 the Notting Hill Social HomeBuyer effectively saves £125 a month in rent payments which, using the standard 3x mortgage multiplier, allows them to increase their mortgage and our initial receipt by £4,500.

Shared Homeownership should also recognise that while schemes are aimed at assisting people to become partial owners and ‘staircase up’ to full ownership, there should be greater flexibility to allow owners to ‘staircase down’ either when they are older or when they need to boost their income. Certain Housing Associations such as the Joseph Rowntree Foundation offer this form of flexible tenure.

Proposal 17 – We recommend that an incoming Conservative government should encourage flexible Shared Ownership equity stakes to meet the needs of the purchaser, whether in increasing or decreasing their equity share.

\(^{270}\) Bramley et al (2002); Rethinking Social Housing p.71.

\(^{271}\) Hills Review p.132.

\(^{272}\) On the basis that no more than a third of gross income should be spent on housing costs. In practice this will vary as affordability is judged on the basis of the mortgage multiplier the applicant can achieve and the disposable income they require.
3.7.3. Asset Trusts

We believe, however, that shared ownership needs to go further in providing opportunities for those struggling to participate in home ownership. New and innovative organisations are being formed, which allow for greater access to shared ownership, with the initial equity stake as low as around 12%—half the current level of the government’s LCHO schemes. We have been struck by the success of the private sector in making shared ownership more affordable. Assettrust Housing is among the first to pioneer private investment in the affordable housing sector. One of the reasons for being able to offer lower equity shares is freedom from regulation. According to their development director Viv Rosser, ‘Being privately funded, we are less restricted by bureaucracy and able to offer more flexible shares’.

Assettrust Housing

Assettrust Housing attempts to counter the effects of annual house price inflation, which stood at 11.3% in the UK in April 2007 and 14% in London in April 2007, by allowing would-be first-time buyers to partake in shared-ownership of properties. Shared-ownership provides a way young professionals can enter into a market that would otherwise be a closed-shop to them. Tenants and owner/tenants enjoy high quality homes with security of tenure and top quality housing management. They are offered equity shares of as low as 12.5%, much lower than the average offer of 25% elsewhere which is simply too expensive for people whose incomes do not rise at the rate of house prices, and are promised fix rents on unsold equity for three years. After a year of part-ownership, tenants can purchase more of the property – ‘stair-casing’ up their stakes as time goes on and their savings meet the costs. Tenants then pay a monthly rent to Assettrust Housing for the share they have not purchased.

To be eligible for Assettrust Housing builds or developments, you must either register with Assettrust Housing or with your local authorities. It then depends on how Assettrust acquires their properties. For most developments Assettrust Housing must approach the local authority who provides them with nominations, and for others Assettrust can choose their new tenants using their own, separate criteria. The properties are sold at their current market value that is calculated by independent valuers, but due to the fact that they are predominantly one and two bedroom apartments, and available for shared-ownership, this is wholly affordable. Properties are sold on a 99-year lease that sets out the rights and responsibilities of Assettrust Housing and the owner, and if owners choose to sell they can – they simply have to approach their managing agent who will obtain a current market valuation of their home. Share-owners of property can make alterations and improvements to property if they wish, as long as they receive permission to do so from their managing agent, and these can then increase the value of the property when it comes to moving out and selling on.

Assettrust Housing and its various partners provide a service that allows people to live in accommodation of great quality, without having to enter into financial difficulty. Tenants are provided with a home not a property, as they can improve it as they wish and own as much of it as they wish. The service is realistic and similar to the open market, with tenants potentially making money on their shares as house prices increase and their personal improvements add value to their property.

Proposal 18 – We recommend that there should be greater involvement and encouragement of the Private Sector to provide shared ownership schemes, such as Assettrust Housing are already pioneering.
3.8. Improving Mobility, Gaining Access

We recognise that many of those living in social housing are unable to afford to buy their own home, even under a discounted RTB scheme or shared ownership. Shelter told us that only 5.5% of those in the social rented sector have an income of over £35,000 per year. The median income for those in the social rented sector is £7,800 per year, and approximately 60% are workless, either through unemployment, retirement or on invalidity benefits. 60 per cent of social tenants make use of Housing Benefit and 77 per cent of SRS households have total incomes less than £15,000 a year. As we have already noted, the proportion of social tenants in employment has also fallen from 47 per cent in 1981 to 32 per cent in 2006, making it impossible for these groups to participate in shared home ownership schemes. Evidence we received from the National Housing Federation suggests that there are 840,000 housing association tenants who do not currently have access to the option to own either via Right to Buy or Right to Acquire.

We therefore propose a new measure, which would help expand access to home ownership, and at the same time ensure that we can create mobility and free up space within the social housing sector at a fraction of the price of building new homes.

Proposal 19 – Social tenants should be given a 10% equity share in their social rented property when they leave the social rented sector, subject to having by that time acquired a record of five years good tenant behaviour.

Research carried out by the Centre for Research into Socially Inclusive Services (CRSIS) demonstrates a strong theoretical case for using savings, financial education and asset accumulation to help people on low incomes out of poverty. It also shows that beneficial social and psychological effects exceeded those produced by a regular monthly income.

The Irwell Valley Housing Association’s approach of focusing on rewarding good behaviour through its ‘gold service’ scheme demonstrates how appropriate incentivisation can deliver cultural change. This scheme includes offering incentives to tenants designed to encourage a feeling of involvement and concern in their home and tenancy. Good conduct of tenancy is rewarded by allowing residents to become ‘members’ of the scheme which gives access to retail vouchers and improved repair services amongst other benefits.

Our proposal – that an incoming Conservative government should enable social tenants, subject to good tenant behaviour, to build a 10% equity share in their home – combines these two features: asset accumulation for people on low incomes which can be realised as a cash payment if the tenant moves into the private property sector, and a strong incentive to be a good tenant in the meanwhile. Tenants would need to take responsibility for all internal maintenance of their properties, pay their rents on time, be free from registered complaints from neighbours/ASBOs and pass a housing officer inspection of the property. We believe that this idea of taking responsibility for a property with the potential reward of an equity share in the property should become universal. Evidence heard by the policy group suggests that the relationship between tenant and landlord is weakening, and many feel there is little or no penalty for tenants not sticking to tenancy agreements. We believe that linking

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275 The National Housing Federation’s response to the *Wellbeing of the Nation - interim report and consultation of the Conservative Party Public Service Improvement Group*
276 *Equity Shares in Social Housing: A Literature Review*, OPDM, 2003
access to equity shares with criteria such as rent arrears and adhering to tenancy agreements would re-establish this link between tenants and landlords and would also encourage tenants to value their tenancy. In our vision, tenants benefiting from the 10% free equity could thereafter if they chose, ‘staircase’ (incrementally acquire more equity in their homes) through shared ownership schemes or use the equity released to move into sheltered housing that would better support their needs.

This proposal centres around our new definition of ‘community housing’: a confirmation that living in social housing should be a transitory means of addressing the needs of those who are temporarily unable to find suitable permanent housing, rather than being the end of the journey.

The cost of our proposal may well be zero or less, given that some social landlords currently find it in their financial interest to offer substantial cash incentives to social tenants to vacate their properties – thereby reducing the need for the landlord to build more social rented accommodation to meet demand. The range of incentive payments varies between landlords but Croydon Council has received special Government funding which has allowed them to operate a pilot scheme, in partnership with local RSLs, which offers tenants £2,000 per bedroom up to a maximum of £8,000, and under Westminster Council’s cash incentive scheme encouraging tenants who are under-occupying their homes to move out, some tenants receive a cash payment as much as £50,000 for a three bedroom home\(^{278}\); Westminster’s recent housing report recommended an increase in the payment to encourage greater take-up. (It is a matter for further investigation whether extending this scheme to include tenants in receipt of housing benefit would cause the scheme to have a net cost.)

3.9. Helping Rural Communities: Community Land Trusts

Rural areas often have an acute affordable housing problem as they face pressure from the increase in second home ownership by town dwellers, lower than average income levels (about a third of households in the most sparsely populated areas of the country are now classed as low-income), and a smaller proportion of affordable homes in new developments than those seen in urban areas. It is also apparent that the opportunity exists in most rural areas for additional homes to be built, and for a significant proportion of the cost to be covered by planning gain mechanisms; but rural communities are understandably concerned about the environmental consequences of new building, especially if these new homes are to become second homes rather than meeting the need to provide affordable housing for young, locally employed people.

In the summer of 2005 the Affordable Rural Housing Commission (ARHC) was set up by the Department for Environment, Food and Rural Affairs and the Department for Communities and Local Government with the task of identifying ways of improving access to affordable housing in rural areas. It published its findings last year, concluding that a minimum of 11,000 affordable houses is needed each year in market towns and villages. The Commission for Rural Communities, adviser and watchdog to the government, puts the figure at between 14,000 and 19,000.

Other figures from the ARHC report show that only 5% of houses in villages are in the social rented sector compared to a national average of 23%. Yet at the same time average earnings in most rural districts are £17,400 compared to £22,300 in major urban districts. As a result, 45% of newly-forming households – made up of those aged between 16 and 35 – in rural areas cannot afford to set up home where they currently live. The problem is most acute in the south of the country.

A Joseph Rowntree Foundation report into this situation concluded that new rural homes supported by the Housing Corporation should be increased from the current level of approximately 1,750 homes per

\(^{278}\) Report of the Westminster Housing Commission, September 2006 p29
annum in settlements below 3,000 population to twice this figure, and from roughly 3,000 homes per annum in larger rural settlements to at least twice that figure. 279

We believe that more attention needs to be paid to the specific problems of affordability in rural communities. Evidence we received outlined an effective means by which this can be achieved, through Community Land Trusts.

**What are Community Land Trusts?**

A Community Land Trust is a mechanism for the democratic ownership of land by the local community. The trust is a non-profit-making organisation run by and accountable to the community that owns, manages and often develops local assets, which can include ex-industrial buildings, houses and land.

The assets, which are donated to or bought by the CLTs (using financial donations received or on the basis of borrowing from commercial lenders), are then used to help the community, allowing people on lower incomes to rent or buy housing. If development is involved, members of the community and local businesses are provoked into participation to further their own as well as others’ economic interests – a clear example of active citizenship and local democracy. The trusts help revive derelict buildings or use ‘exception sites’ to provide affordable housing for local people.

The CLT model attempts to tackle unaffordability in two ways:

- it holds the housing and land assets in trust;
- it locks the assets out of the open market so they stay accessible to those on low and moderate incomes.

With a CLT there is an agreement that sell-offs for individual profit are not allowed. If one householder decides to sell their property, they must sell their share of the equity back to the CLT for onward sale to another locally employed person. This keeps the ownership within the trust and means that the housing continues to be affordable. Successful CLTs that, through the development of workspace/retail units or other facilities, or through the successful exploitation of ‘exception sites’ or unused public land, make financial profit then gift this back to the community. In Welwyn Garden City, this has generated gifts of £1m per annum to the community.

We have been impressed with other CLT models in the United States which have not only enabled low cost homes to be made available for those struggling to own a home, but also to provide the first stair so that purchasers are later able to staircase up when they decide to move on. CLT resale formulae mean that a household cannot sell the property at open market value; instead, when the property is sold back to the CLT, the seller will receive the percentage of the uplift in value appropriate to his or her equity stake. This can then be used to pay for a deposit for a home on the open market. Under the CLT model in Burlington, Vermont, 74% of sellers go on to use the proceeds of sale as a deposit for a home on the open market. 280

Stonesfield Community Trust, Oxfordshire, is an example of a trust that has efficiently rewarded the local community. Stonesfield Community Trust (SCT) was founded in 1983, and after a donation of land and a small grant used to negotiate planning permission, the trust had land worth £150,000, making them eligible for a mortgage and able to build four properties. SCT has since developed

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280 NHF, The Potential of Community Land Trusts- Briefing for the Conservative Party Policy Improvement Group
another eight affordable homes, and converted a redundant glove factory into workspace units for the village. Also, development work was undergone to house the village post office. Stonesfield shows that CLTs do not just approach the problem of affordable housing, but can also improve the quality of life of the members of the community, with the creation of post offices and the funding of a local youth service (with the net income of SCT property), as well as – in this instance – dealing with the issue of the environment by ensuring new builds are as energy efficient as possible.

The Cornwall Community Land Trust project which involves a two-tier system consisting of an umbrella CLT for the county and local CLTs. The umbrella trust will obtain the assets and transfer ownership to local communities after consultation with the local CLT(s). The county CLT is sponsored by the Cornwall Rural Housing Association, and the local CLTs are predominantly sponsored by parish councils. The project aims to tackle the issue of creating affordable housing as well as creating workspace and community woodland in parts. Cornwall’s CLT mechanism could be an example of how the Community Land Trust system can work in larger areas or perhaps more densely-populated/urban areas – using an umbrella trust holding sovereignty that actively looks for funding from nearby companies/corporations as well as assets, and local CLTs that ask the umbrella trust for funding or asset-ownership in accordance to their community’s needs.

Proposal 20 – CLTs help make rural homes more affordable for those that live in them at the same time as allowing rural communities to remain together. We recommend greater use of CLTs as a method through which affordable housing is able to be provided in these areas.

3.10. The Private Sector

Community Land Trusts demonstrate the importance of looking beyond the state sector for new imaginative solutions to housing shortages. We should not hesitate to explore other avenues through which this might be achieved. The corporate sector also has an important role to play in providing low-cost community housing. The British Property Foundation says ‘Given the implications for demand; given that supply for ownership is unlikely to be built in sufficient numbers to drive down house prices; given that the State cannot realistically afford the massive injection of public subsidy that would be required to create a 1960s style social house-building boom, policy attention must now turn to methods of stimulating the supply of new homes for rent by the private sector.’ We agree. 43% of socially rented and affordable housing is now provided through Section 106 Agreements with private developers, whilst the value of affordable housing contributions delivered through 106 agreements had reached £600m by 2003/4.281

We believe that there should be fewer regulations and greater incentives for private developers to take greater involvement in community housing. The current structure of stamp duty favours individual purchasers over the corporate investor in a large block of flats, while questions also need to be pursued about the potentially damaging impact of the recent Government proposal to introduce a planning gain supplement while scaling back the ‘Section 106’ (planning) agreement. It is through this that corporate landlords and builders have contributed over £3 billion for infrastructure projects to local authorities in recent years.

We welcome looking at tax breaks on repairs for bringing properties back into use for the social housing market. There should be greater encouragement for developers to refurbish and regenerate empty or run-down properties. Currently VAT regulations apply to the private sector which discourages such investment. If a private sector organisation does work for a private sector housing association, it must pay VAT. If the same work is done for Local Authority no VAT is paid. This is a disincentive for further private involvement which should be investigated further.

Proposal 21 – We propose a review of VAT and Stamp Duty regimes that discourage private sector involvement in refurbishing the social housing sector.