

# **Affordable and Social Housing**

Policy and practice

**Paul Reeves**

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# Affordable and Social Housing

*Affordable and Social Housing* is a candid and critical appraisal of current big-ticket issues affecting the planning, development and management of affordable and social housing in the United Kingdom. The successor to the second edition of the established textbook *An Introduction to Social Housing*, this book includes new chapters, reflecting the focal importance of customer involvement and empowerment, regeneration and the localism agenda that will have radical impacts on housing provision and tenure, as well as the town and country planning system that enables its development. There is also a new chapter on housing law in response to demand for a clear and signposting exposition of this often complex area. Paul Reeves indicates how each theme affects the other, and suggests policy directions on the basis of past successes and failures.

Reeves takes a people-centred approach to the subject, describing the themes that have run through provision of social housing from the first philanthropic industrialists in the nineteenth century through to the increasingly complex mixture of ownerships and tenures in the present day.

The book is ideal for students of housing and social policy, and for housing professionals aiming to obtain qualifications and wanting a broad understanding of the social housing sector.

**Paul Reeves** has been working in the housing and planning field in local authorities, housing associations and central government as a senior manager, consultant, adviser and trainer since 1982, and is an established academic – currently a Visiting Lecturer at the University of Westminster and other UK institutions.

**This book is dedicated to my dear wife, Marlana,  
whom I love dearly and whose support I value beyond  
anything else.**

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# List of acronyms

ADDR	Adult Disability Dependency Ratio
ALMO	Arms-Length Management Organisation
ARF	Area Regeneration Framework
BME	Black and Ethnic Minority
CCT	Compulsory Competitive Tendering
CDS	Co-Operative Development Society
CIH	Chartered Institute of Housing
CSG	Cost Sharing Group
CSR	Comprehensive Spending Review
DCLG	Department of Communities and Local Government
ECHR	European Convention on Human Rights
EU	European Union
HAG	Housing Association Grant
HCA	Homes and Communities Agency
HHSRS	Housing Health and Safety Rating System
HMA	Housing Market Assessment
HMCTS	Her Majesty's Courts and Tribunal Service
HRA	Housing Revenue Account
JCT	Joint Contract Tribunal
L&Q	London and Quadrant
LDDC	London Docklands Development Corporation
LETS	Local Exchange Trading Scheme
LSF	Labour Force Survey
LSIC	Local Service Improvement Compact
M&M	Management and Maintenance
NHF	National Housing Federation
NHS	National Health Service
OADR	Old Age Dependency Ratio
ONS	Office for National Statistics
PEST	Political, Economic, Social and Technological Analysis
PFI	Private Finance Initiative
PIL	Public International Law
PPS	Planning Policy Statement

PWLB	Public Works Loan Board
RICS	Royal Institute of Chartered Surveyors
RPI	Retail Price Index
RSO	Resident Service Organisation
RtB	Right to Buy
SEH	Survey of English Housing
SORP	Statement of Recommended Practice
SWOT	Strengths, Weaknesses, Opportunities and Threats
TSA	Tenant Services Authority
VAT	Value Added Tax



# Preface

The housing scene is always changing, but there are themes which remain constant. These include the fact that everyone needs to live somewhere, in accommodation which suits their needs, and which they can afford. Unfortunately, many households simply cannot afford to compete in the market place – owner-occupied or rental – to satisfy their requirements, which is where the national or local state comes in. Assistance can be provided by reducing the price of the dwelling to that which can be afforded, through personal subsidy in the form of welfare benefits or similar assistance, or by subsidising the cost of building the dwelling which can be reflected in lower rental or purchase prices, or a combination of these.

The UK housing scene provides an interesting case study of how to enable affordable housing, and it is one which has altered significantly in the last few years. Between 2008 and 2011, approximately £8.4 billion was made available to housing providers, mainly housing associations, to help them build property without having to raise loans to meet the entire cost, and therefore to enable them to charge rents which conformed to the rent-restructuring formula – in England – or to traditionally lower rent levels which could be afforded by people on lower incomes across the UK. When the Coalition Government came to power, it made significant cuts in public expenditure, and housing took its share of the cuts, with the capital budget to support development halved, but with similar targets for production as the previous four years. To square the circle, it was decided to encourage providers to charge higher rents in order to raise more of the development finance by way of private sector loans; so there emerged two rent regimes. The first regime was that based on a formula taking into consideration lower incomes and property values compared to the national level, and the second was based on rents being set at up to 80 per cent of market rental values – the so-called affordable rent regime.

Although the financial regime has changed, there are several constants. Housing need will not go away, and has to be measured properly to guide development in terms of degree and location, and there has been considerable emphasis on evaluations of housing markets to assess the degree to which the housing market economy can supply enough of the commodity to satisfy need. Housing management is something which will always be required wherever there are tenancies with rights and obligations, and the style of management has changed over the years from the paternalistic – or maternalistic – model espoused by Octavia Hill

in the nineteenth century to more enlightened and legally based alternatives, based on encouraging tenants to take responsibility for their homes and lifestyles. The model of the tenant has changed over the years – from one where housing management had to inculcate good behaviour and responsibility, to the model where tenants are responsible for their own actions and customers in every sense of the word. The advent of localism – devolving power to communities – is another challenge for housing management, and it will be interesting to see how organisations measure up to the challenges that this entails, including enabling tenants and other residents to manage their own homes in a beefed-up version of the Right to Manage which will surely come.

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# Introduction

**Keywords:** *the end of social housing; what affordable housing is; overview of key themes by chapter: supply and demand; customer involvement and empowerment; housing management; housing finance; housing law; housing regeneration and development; localism.*

## The end of social housing?

'House' is a noun and a verb, as demonstrated in 'to house someone in a house'. This bit of semantics leads to the thought that 'housing' is both a process and an end product; and it is a valuable commodity or service which can be something which meets both essential need and luxury. This book is about both the end product and process of developing, obtaining and managing housing, and is focused on products and services which are oriented towards meeting need or marginal effective demand rather than purely demand or over and above requirement, but we must not lose sight of the essential ambiguity of the term, nor its breadth of definition, as meeting luxury requirements is in fact relevant to the provision of affordable and social housing because the recognition of and the need to meet degrees of aspiration is part and parcel of the product and the service, as will be explained.

Ten years ago, most academics and practitioners would have had no problem with the term social housing, although 30 years ago the term was virtually unknown. I have no idea exactly when the term was first used; a quick survey of papers and books reveals that it was used by Michael Harloe in 1981 in his monograph *The Recommodification of Housing* (Harloe, 1981), and the term was certainly in currency by the early 1990s and indeed formed the main part of the title of my first book on the subject, *An Introduction to Social Housing* (Reeves, 1996). There was little dispute as to what it meant, but some lamentation in the profession and elsewhere that things had got to that pass. It is possible to define the term ostensibly (by example) and by dictionary definition, although the former may in fact be easier than the latter, although open to challenge. An ostensive definition might include:

- Housing (houses and flats) built and/or managed for rent by local authorities or housing associations or other registered providers;

## 2 Introduction

- A list of all blocks which are owned and rented out by councils and their agents and housing associations, plus those which are leased from other owners by these organisations would probably constitute the set of social housing, although it is a fuzzy set, as there are arguably dwellings which fulfil these criteria but which are not 'really' social housing. An example is dwellings let out in consequence of employment, and some things which could be construed as social housing but which are not housing in the sense that we might understand the term, for example, a caravan or motor home, or a tent in the context of a disaster zone.

In terms of dictionary definition, there are a number of variants. The *Collins English Dictionary* (2003) defines it as '(Social Welfare) accommodation provided by the state for renting'. That's not bad, but it is inaccurate in that 'provided by the state' would seem to imply that the state (national or local state) is the source of all social housing, which it is not, as housing associations are not part of the state apparatus, even though they may have at some time received public subsidy in some form or another, or some or all of their tenants may or may have been in receipt of personal subsidy, principally some form of housing benefit. A somewhat better definition is that given by the housing charity Shelter on its website: 'Social housing is housing that is let at low rents and on a secure basis to people in housing need. It is generally provided by councils and not-for-profit organisations such as housing associations' (Shelter, 2012). It gives us a start.

Let's consider the dimensions of the Shelter offering. The key elements in the initial part of the definition are: 'low rent(s)', 'secure', and 'housing need'. The scoping element is self-explanatory, and relatively uncontroversial. Notably, the site gives the caveat that the content applies to England only, although I can find no reason to doubt that it would apply to the entire UK.

'Low rent' must be relativised to something, namely the set of all rents, just as it would be impossible to understand what an average car was unless you had some conception of the scope of possible dimensions. Uncontroversially, the rent one might expect to pay for a three-bed flat in London's Knightsbridge is by no stretch of the imagination a low rent, and market rents are generally but not always considerably higher than social rents. In social housing, at least in England, 'low rent' for council and housing association dwellings built before 2011 comes out of a formula which actually entails that social rents are relatively low rents, although they vary across the country and with size, value and the local wage economy. The formula used adjusts the rent to take account of local relative to national average manual wages (accounting for roughly 70 per cent of the formula rent), something that the market does not do, and therefore artificially constrains rent levels. Formula rents are also based on actual average social rents as they were in 2000, adjusted for relative size, value and wages, and social rents at that time were in any case markedly lower than market rents. There will be more about this when we come to discuss housing finance, but it is clear to see that state intervention had in this case given rise to a product which retails below market levels, although this in itself gives rise to the question as to whether there is or can be a market for social rented housing, which will be dealt with when we come to examine choice-based lettings initiatives.

The outcome of using this formula can be illustrated simply by comparing the rent of an ex-local authority flat in Southwark, London, with that of a local authority flat in the same location. A two-bed ground floor flat in Reedham Avenue, SE15 was advertised in January 2012 on the Choice Based Letting site applying to Southwark Council for £95.76 a week (Southwark HomeSearch, 2012). A similar ex-local authority property in SE15 advertised on the property site Rightmove, seen on the same day, was offered at £208 a week (Rightmove, 2012). This was the cheapest comparable property on that site in that location. Admittedly, this is a very small sample, which is purely illustrative, but it does identify the local authority-let property as comparatively low rent, at 46 per cent of the market comparator. It may then raise the question of how the local state can provide accommodation at this comparatively low rent, and indeed why, which leads into a consideration of meeting need, which we will briefly consider before discussing 'secure'.

In a sense, the phrase 'housing need' poses some difficulties. Uncontroversially, everyone needs somewhere to live. Everyone is therefore in need of housing, and therefore it could be argued that the term covers all eventualities. However, the term is somewhat more limited than this. To understand it fully, it is necessary to compare and contrast the terms 'need' and 'demand'. In economic terms, demand, when considered as effective demand, relates to a requirement which can be bid for and obtained using a means of exchange, commonly money, often in competition with others, and therefore 'demand' is usually employed when talking about the market. If we net out market housing from all housing, we are left with non-market housing from which the element of satisfaction through competitive bidding with cash or an equivalent is absent. This gives us a residuum which is allocated according to some other principle, and that may be (but is not necessarily) be on the basis of need. It could be allocated on the basis of favour, for example, a grace and favour apartment given to a senior politician as a consequence of their duties, or Buckingham Palace. If we combine the thought that everyone needs some form of housing (used widely, in the sense of shelter) and that not everyone is in a position to compete successfully for this, then we are left with the idea that housing need is the residuum (in terms of households) left when the market has finished allocating housing on the basis of demand, and it can immediately be seen to be a fluid entity, since the market is always changing in relation to levels of supply and demand. Put simply, we can say that if someone cannot satisfy their housing need through the market place, then they are in a pure state of housing need, just as someone who cannot meet their requirements generally because they do not have enough money to do so can be termed 'needy'. Low-rent housing provided by the state and its agents, and by organisations specifically set up to provide it, can be said to be that aimed at meeting housing need in this sense. Arguably, if everyone could satisfy their housing requirement through the market place, there would be no housing need in this sense, and therefore no need for housing to meet it. Notably, I have used the terms 'need' and 'requirement', and as a presage to what follows in the next chapter, I have done this to distinguish what everyone needs (i.e. a roof over their head), which is 'requirement', from what everyone needs but which some people cannot get through engagement with the market, which is 'need'. A quantitatively simple (and

indeed simplistic) way of defining the quantum of housing need would be to subtract everyone who can meet their requirement through market engagement from the total quantum of people who have a housing requirement, and this, crudely, is what housing needs surveys do.

On a logical note, it is often possible to discover the distinction between concepts by considering whether *x* can or cannot be the case concurrently with *y*, or vice versa. For example, in the case of housing need and demand. It is certainly possible to demand housing without needing it, as is the case for second-home buyers. Therefore there is a logical distinction between demand and need. It is also possible to need housing without demanding it, in the case that a person has a mental disability which prevents them from realising that they have such a need. This thought also indicates that demand is active and conscious whereas need is a state of affairs not dependent upon activity or consciousness. Another logical test of distinction is to establish whether a contradiction arises by asserting that *x* is the case and *y* is not. If a contradiction regularly arises it may be that in fact *x* means *y*, or put another way, *x* and *y* mean the same thing. If no contradiction arises, then it is usually possible to say that the words represent different concepts, even if there is a relationship between them. So for example, it is possible to have a need but not demand something, and to demand but not to need something, as we have already exemplified. Therefore demand and need represent different concepts, even though there is a relationship between the two.

Before we leave the concept of need, it is worth considering whether it is absolute or relative. According to Bradshaw (1972), there are at least four ways of classifying need. Normative need is need which arises from comparison with a standard set out by someone or somebody, usually regarded as an expert or authority (for example, the state). Comparative need is sometimes known as relative need, and is determined by trying to establish a pecking order of need – for example by comparing all estates in the country and distinguishing those that are in the worst condition, or looking at all incomes and determining the lowest quartile. Felt need is subjective need, that is, it exists where people feel that they are in need – if everyone else you know has an iphone then you may have a felt need for one. Finally, expressed need is the need which people say they have, for example, a need to go to the pub; clearly it is possible to feel a need which is not expressed, and vice versa.

In my view, expressed need and felt need are psychological states, the former verbalised, and may have no basis in fact, and would be very hard to use in assessing need in a rational way which would justify state expenditure on relieving it. Normative need can arise from a consideration of comparative need, and vice versa, and at the heart of both is the notion that there is some fact of the matter which can be discovered and which would make a normative judgement true or reasonable. So my money is on a hybrid of normative and comparative need. To look at it another way, without forgetting the above mixture of reasoning, we can talk about absolute and relative need, which are fairly well entrenched sociological concepts, and usually expressed in terms of defining poverty. Seebomh Rowntree (1901) defined absolute poverty as being below a subsistence line, a minimum standard needed to live. P. J. Townsend (1979) defined relative poverty as ‘the absence or inadequacy of those

diets, amenities, standards, services and activities which are common or customary in society' (Townshend, 1979). Need can be substituted for poverty in the above without lack of sense. Everyone needs to consider which camp they fall in as regards definitions of need, but the current state position seems to be normative, comparative and relative, and it seems reasonable. One can imagine that someone could get by for a while without shelter at all, living under bridges and under the pier but against the background of what is considered reasonable in today's society, it would be hard to sustain the argument that that person is not in fact in housing need. This argument would be supported by considering the medium- to long-term consequences for the health of that individual were this homelessness and rooflessness to continue, which may well be death. The absolute definition therefore captures too little in our quest to define need in a way which is useful to our ends.

We can now move on to the term 'secure'. The term has been used to define specific arrangements within the rental tenure, when capitalised. Secure tenancies came about as a result of the 1980 Housing Act, as will be discussed in the chapter on housing law, and were applied to local authority and housing association tenancies in England and Wales and in a modified format elsewhere in the UK. They are still the main form of tenure in the council sector, although the assured and assured shorthold forms of tenancy are those used by housing associations following the 1988 Housing Act. However, at this point, it is necessary only to compare the concept of a secure tenancy and one which is not secure. Unmet housing need will re-arise where tenancies are in some way not guaranteed or secure. Assured shorthold tenancies are not secure in that they can be determined at any time after a minimum period, generally six months, on service of appropriate notice. If the point of social housing is to provide accommodation with security, then the assured shorthold tenancy would not be a good candidate. What 'secure' means is that as long as the tenant abides by the conditions of the tenancy, including paying rent when required and behaving reasonably, they can generally stay there for as long as they want. This is in fact a major distinguishing characteristic from the 'affordable' tenancy arrangements which are coming in at the time of writing, especially in their conditional tenancy manifestation.

Putting it all together, we have a concept of social housing which is low rent compared to market-sector housing – else otherwise it would be beyond the reach of those unable to compete effectively in the market place – which is (therefore) there to meet housing need as opposed to effective demand, and which is relatively secure, as if it were not, unmet housing need would recur. This is both a definition and an answer to the question 'What is the end (as in purpose) of social housing?'. It is a reasonably coherent and clear concept which more or less reflects the reality of the arrangement, and which in fact generates arguments in favour of another form of housing – affordable housing – which is distinct in both logical form and purpose from social housing, but can be provided by the same agencies as the former.

### **What is affordable housing?**

We now turn to affordable housing. The concept at first sight seems to be absurd or obvious, until the context of use is made clear. All housing is affordable to someone. If



I were a billionaire, I could probably afford to buy and run any sort of house I wanted or that existed which was potentially or actually available for purchase. So what is the point of appending 'affordable' to 'housing'? We can get somewhere if we consider affordable as a relative term. What may be affordable to x may not be affordable to y, so the question is, when we are talking about affordable housing, to whom are we relativising the housing cost? It may be that the answer is that it is relativised to those who cannot afford to compete in the market place to obtain housing which would reasonably meet their needs. However, that delivers more or less what is meant by social housing, and surely there must be some difference that makes a difference, otherwise why use two terms where one might do? Another way to try to distinguish between the terms affordable and social housing is that affordable housing is housing which people can afford regardless of their need and the security of tenure of the property whereas social housing must fulfil all the other criteria which have been set out. However, this definition does not seem to capture enough – it would also lead to unwanted conclusions. For example, if all someone could afford was a bedsit, and they had a family of three, they would have affordable housing, but it would be totally inadequate to meet their needs, which is hardly a laudable or in fact an actual social policy objective. Enough has been said to suggest that in the absence of definition by *fiat* (imposition or rule), the term is hard to resolve.

The reality of the matter is that the term has arisen for largely ideological reasons bolstered by judgements about how much the nation can afford to subsidise non-market housing and macroeconomic worries in general. It can be traced back to the start of the fixed housing association grant regime in 1989, following the 1988 Housing Act. Prior to the act, housing associations received capital grant aid from the state to ensure that they could meet management and maintenance costs from a fixed 'fair rent' assessed by a rent officer (a local authority official) based on a formulaic assessment of amenity, size and other factors but not scarcity, which is a prime determinant of market rents. In many cases, the proceeds from fair rent would only just cover management and maintenance (M&M) costs, meaning that only a small amount was left over which could service a loan which could be raised to help meet development costs. Essentially, the capital grant (known as housing association grant (HAG)) was broadly equivalent to reasonable development costs minus the loan which could be raised on the basis of the residual income after M&M costs, and in many cases, the percentage of development costs covered by the grant was in the high 90s. In 1988, the decision was taken to radically reform the HAG regime in an attempt to rein in public expenditure whilst forging ahead with housing association development as an alternative to municipal programmes. The system was turned on its head – instead of rents determining grant levels, grants were fixed at around 75 per cent of reasonable development costs, and rents had to be set to cover M&M and the cost of servicing a loan to meet the difference between grant levels and total development costs. This meant that post-1988 Housing Act rents for similar properties were considerably higher in most cases for similar properties than for those developed before its implementation. Despite this, assurances were given by government ministers that resulting rents would still be affordable, although no hard and fast definition of the term was forthcoming. A consultation paper published by the Department of the Environment in 1987,