

The future direction of housing reform – a strategic overview

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Public policy exchange - The future direction of housing reform

Tuesday 7th October

***Creating great places where people want to live, work
and raise a family***

Communities and Local Government Objectives:

“To improve the supply, environmental performance and quality of housing that is more responsive to the needs of individuals, communities and the economy”

“To develop communities that are cohesive, active and resilient to extremism”

“To increase long-term housing supply and affordability”

“Build more cohesive, empowered and active communities”

... within a wider Government agenda

“... the bigger ideas that I believe lie behind these reforms.... it is a ***mission of social mobility*** that the next generation, whatever their background, should have the opportunity to do better than the last.”

Prime Minister, 23 June 2008

- **Social justice and welfare reform** - not allowing people to be left behind and supporting people into work;
- **Community empowerment** - putting communities in control to better meet their aspirations;
- **Devolution and local government** - decision making at the right level responding to specific challenges in different places;
- **Public service reform** - personalisation, choice and opportunity in public services

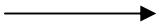
Good housing and good landlords both have a huge role to play

New supply - Modern institutions - Rented housing reforms – Vulnerable people

AGENDA

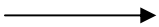
WHY?

Increasing Housing Supply
More affordable, greener and better designed homes



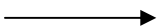
To improve long term housing affordability and respond to changing housing market

Modernising institutions
HCA, Tenant Services Authority, National, Tenant Voice, Council housing finance



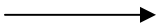
To improve delivery and sustainability, and better meet tenants' needs

Improving / reforming rented housing



High levels of worklessness in social housing, long waiting lists, low social mobility, geographic concentrations of deprivation

Delivering independence and choice for **vulnerable people** and those facing social exclusion



More vulnerable people with more complex needs enabled to live independently preventing social exclusion and costs to care and health budgets

Social housing is fulfilling its role...

As John Hills showed:

- **Social housing plays a crucial role for four million households;**
- **It gives many families stability and security** in a fundamental part of their lives.
- **The quality of housing is usually significantly higher** than tenants could afford in the private sector.
- **Affordability has been protected** in a time of rising housing costs.
- **Social landlords often play a leading role in renewal and regeneration** in some of the most deprived parts of the country.
- **Initiatives that “treat those in need...in a more adult way”,** (eg, LHA, CBL, Homelessness prevention) – choosing from options and the right support when needed - appear to have a positive impact

...but there are challenges:
worklessness in social housing is high

As John Hills showed:

- **More than half of those of working age living in social housing were without paid work, twice the national rate.**
- **Employment rates** of those living in social housing with particular disadvantages or with multiple disadvantages are **substantially lower than similar people in other tenures.**
- **No sign of a *positive* impact on employment that sub-market rents might be expected to give.**

Should there be a varied menu of options?

As John Hills showed:

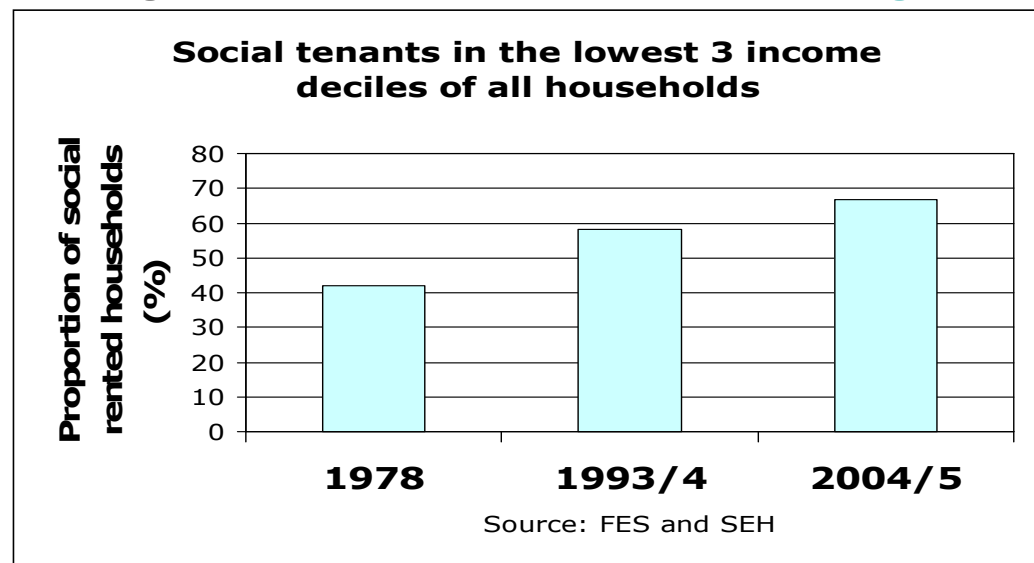
- There may be gains *both* in terms of meeting people needs/aspirations and value for money for the public by **providing a wider range of options**;
- Potential for existing housing options services/approaches becoming **systemised and extended more widely to meet other related needs** – eg employment and training;
- Potential for **regular review to reassess needs/circumstances** alongside support and advice

Challenges: Social housing has become more “residualised”

As John Hills showed:

- Social tenants are **much more concentrated within poorer parts of the income distribution than in the past.**
- Income **polarisation between tenures** also shows up as **polarisation between areas.**
- If ensuring that **social tenants can live in mixed income areas is a key potential advantage of social housing, we do not seem to be achieving it.**

The proportion of social tenants who are in the poorest 30% of all households has risen from 42% to 67% since the late 1970s.



And there are long term demographic and economic changes that we need to consider

- The **population is growing**;
- The **population is ageing** and will experience more ill health
- Changing lifestyles and expectations will also lead to **smaller households**;
- The role of owner occupation and **tenure patterns** may change
- Global economic shifts will increase pressures on local economies and the **need for skills**;
- **Economic polarisation** may increase

(Some background evidence slides are included at the end of the presentation)

The Housing Green Paper – principles for reform

The Government has announced plans to *publish a housing reform green paper towards the end of 2008 that:*

- *provide housing services and options which help and encourage people towards greater economic independence and social mobility;*
- *match responsibility with opportunity - so they can realise their potential and best meet their own housing aspirations;*
- *and deliver greater fairness whilst making best use of our resources*

Links to:

The council housing finance review (CLG & HMT)

The private rented sector review (Julie Rugg)

The housing benefit review (DWP/HMT)

The Housing Green Paper – policy themes

This means housing services which:

- are *different for people with different needs and in different circumstances*;
- are offered *fairly and transparently*, in a way which is understood by citizens and makes *best use of finite resources*;
- are delivered through a *family of providers led by local authorities* - but includes housing associations and the private rented sector - with a range of powers, discretions and tools to secure the *best outcome for local communities and*;
- make *ownership* of all or part of a home more accessible

- Is there a **shared sense of the problems** we are trying to solve?
- What do you think are the **housing priorities for rented housing?**
- Is there an **emerging consensus** around a more flexible offer, stronger incentives to get people into work and a more comprehensive role for landlords?
- How can **central Government** help deliver these:
 - *money, legislation, guidance or best practice?*

Potential areas for discussion

- **Worklessness** - how can we better link housing and employment advice? What rewards or obligations would help workless tenants to move into work?
- **Home ownership** – how can we better support people on low incomes into part of full home ownership?
- **Access to housing support** – how can we provide housing support that better meets local needs and makes more flexible use of a family of providers – authorities, RSL and the PRS?
- **Young people** – how can we design a housing offer that will enable young people to fulfil their potential?
- **Personalisation** – how can we move away from a one size fits all approach towards a more tailored offer to meet different needs?
- **Improving private renting** – how can we better improve the offer in the PRS?

Update on other key CLG Housing agendas

Homes and Community Agency (HCA) – working to have HCA in place for Dec 2008

Tenant Services Authority (TSA) – being established Dec 2008 (but single domain pursued through regulations now)

Community Empowerment White Paper – followed by plans for a Bill for 4th Session

National Tenant Voice – Project group to report back soon, powers in Bill to set up stand alone body if required

Review of the Private Rented Sector – due to publish end Oct

Review of Council Housing Finances – working towards publication next year

Timetable, milestones

- Announced **plans to publish housing reform green paper** – May
- **launched E-forum** hosted by the Chartered Institute of Housing to initially debate principles for reform – <http://housingreform.cih.co.uk/>
- Sought **initial views on principles and themes** of reform from stakeholders – end July
- **Government Offices have hosted regional housing green paper forums** – July to Oct
- **Ministerial roundtable discussions** on reform – July to Oct
- Housing Reform **Green Paper published** – towards the end of 2008

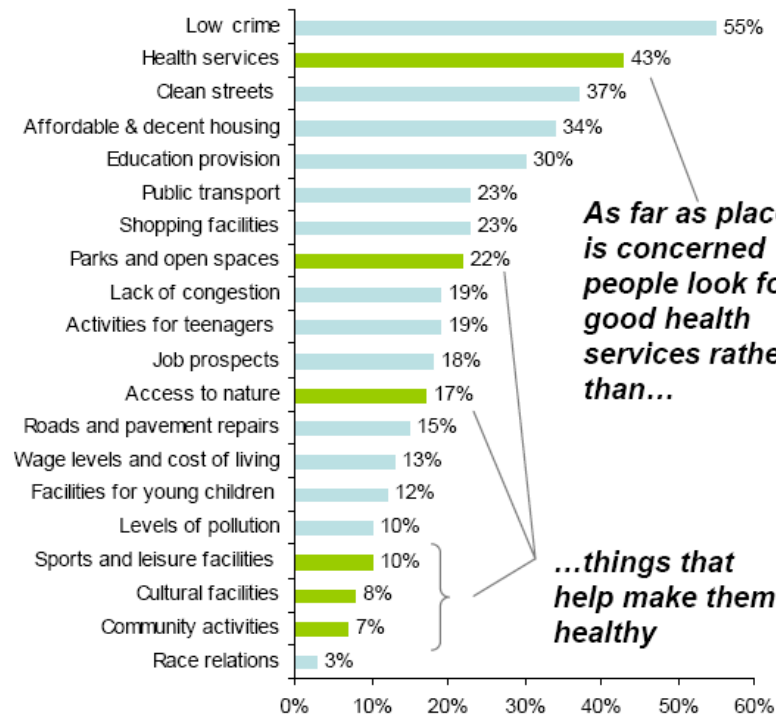
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People want to live in high quality places with good services and infrastructure

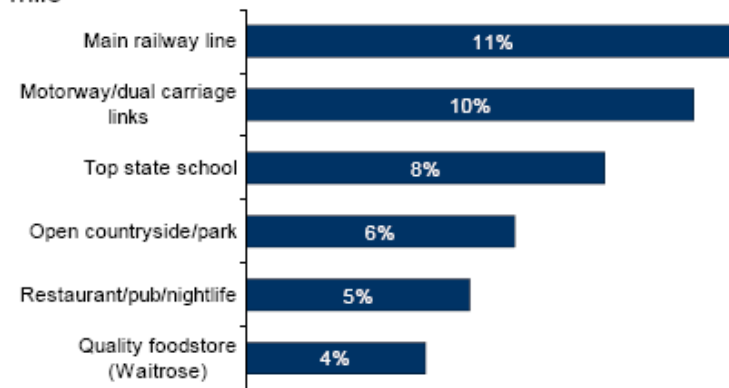
High quality housing in high quality places provides individuals with a secure and stable base from which to link to their community and opportunities such as support, services and employment.

What makes somewhere a good place to live [1]
% of people stating factor is in top 5 most important things to making somewhere a good place to live²



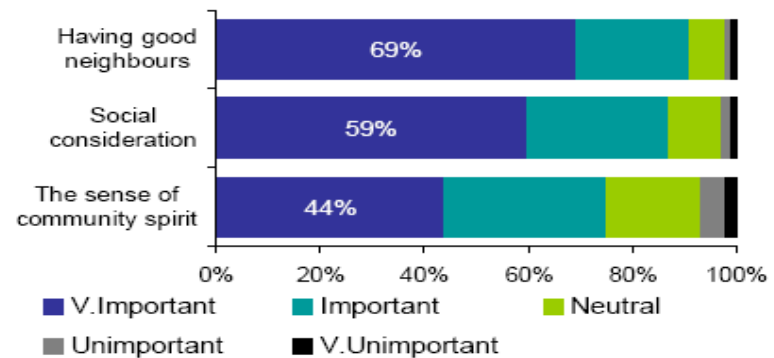
Proximity to a range of infrastructure and services adds value⁷ [2]

% boost to house prices from having various facilities within 3 mile

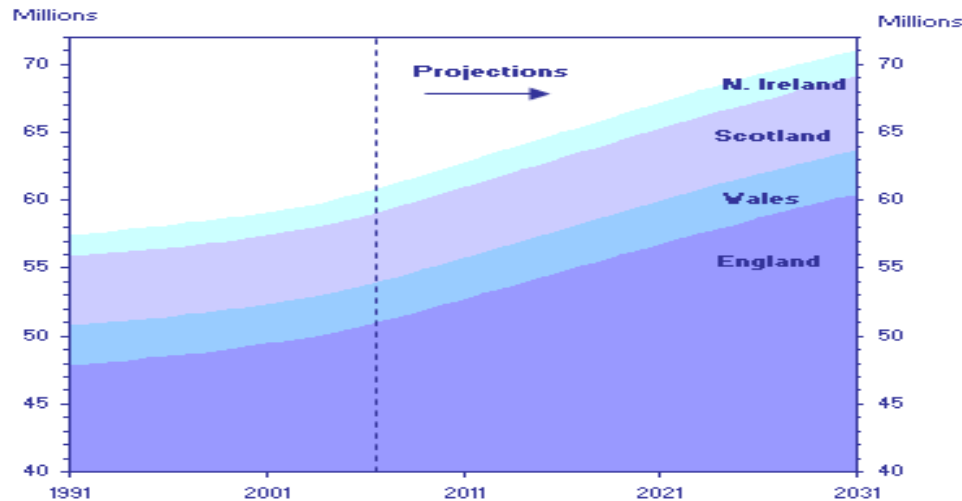


Individuals value good community relations [3]

% of people stating drivers as important to Quality of Life¹



National projections suggest that the UK population will rise to 65m by 2016



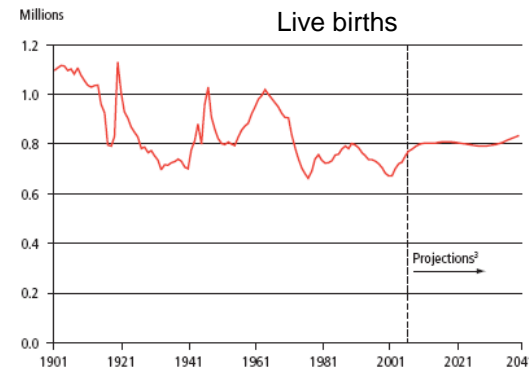
The UK population is projected to **increase by 4.4 million by 2016**. If past trends continue, the population will continue to grow, **reaching 71 million by 2031**. This is due to **natural increase** (more births than deaths) and because it is assumed there will be **more immigrants than emigrants** (a net inward flow of migrants).

Projections are uncertain and become increasingly so the further they are carried forward. [1]

Migration is especially difficult to predict as people may react to a range of economic and social factors.

The population is growing

There has been rising fertility in the UK, with the Total Fertility Rate (TFR) reaching **1.84 in 2006**, up from a record low of 1.63 just five years earlier. However **this rise is projected to level off**. [2]



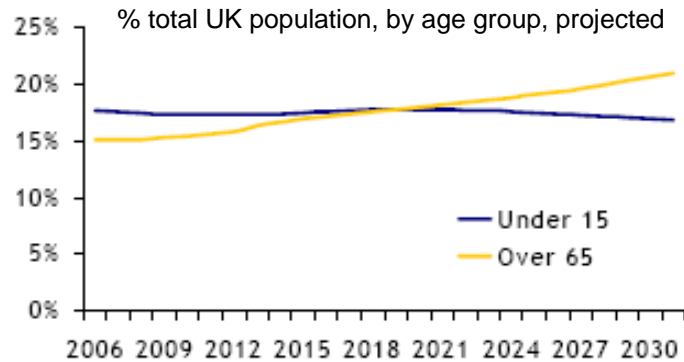
Trends differ for the four countries of the UK

The population of England is projected to increase by 8 per cent by 2016 compared to just 3 per cent in Scotland. [1]

	<i>thousands</i>					
	2006	2011	2016	2021	2026	2031
United Kingdom	60587	62761	64975	67191	69260	71100
England	50763	52706	54724	56757	58682	60432
Wales	2966	3038	3113	3186	3248	3296
Scotland	5117	5206	5270	5326	5363	5374
Northern Ireland	1742	1812	1868	1922	1966	1999

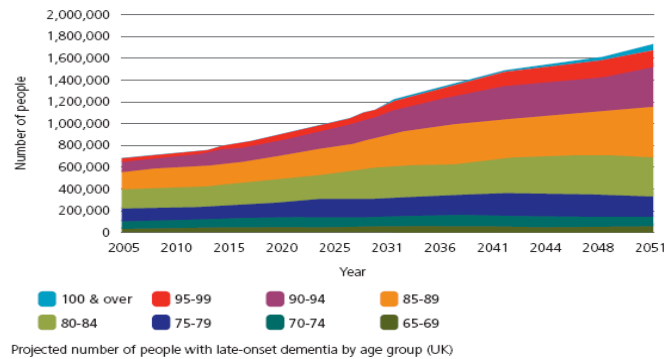
The population is ageing and will experience more ill health

The proportion of people aged 65 and over is projected to increase from 16 per cent in 2006 to 22 per cent by 2031



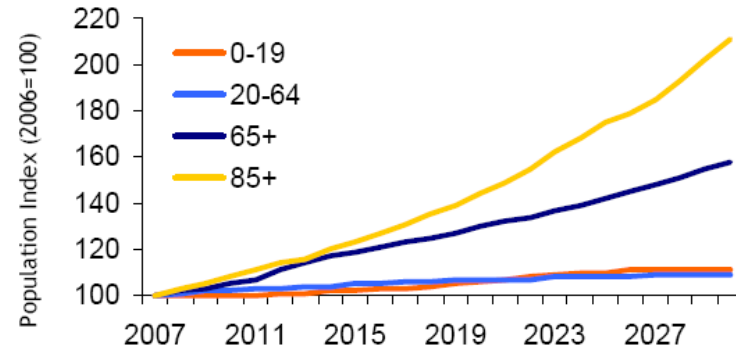
People increasingly survive diseases and conditions which previously caused death. However, longevity is improving faster than health outcomes for older people

Projected number of people with late-onset dementia by age

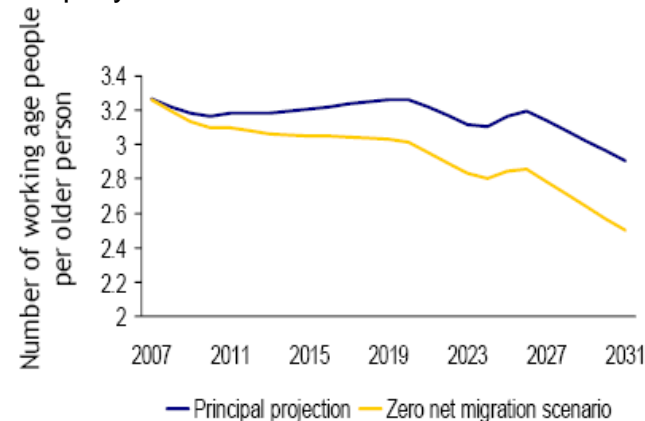


Sources: ONS

The fastest growth in population will occur amongst those aged over 85, with the growth of 65s and over fuelled by the 1960s baby boom generation

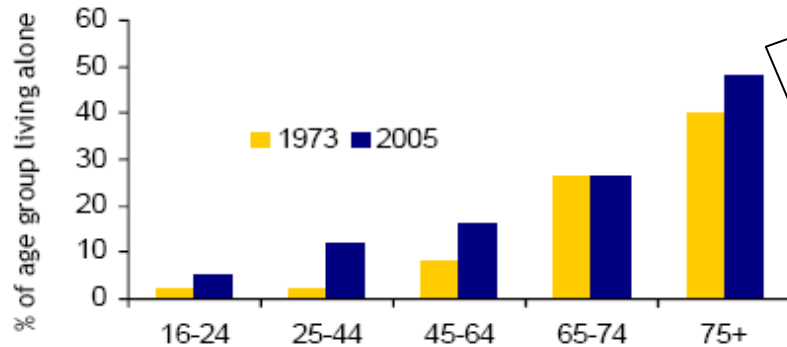


The ratio of working age people to pensioners will shift. In 2006, there were 3.3 people of working age for every person of state pension age. This figure is set to fall to 2.9 people by 2031 and without migration would fall more rapidly.



Changing lifestyles and expectations lead to smaller households

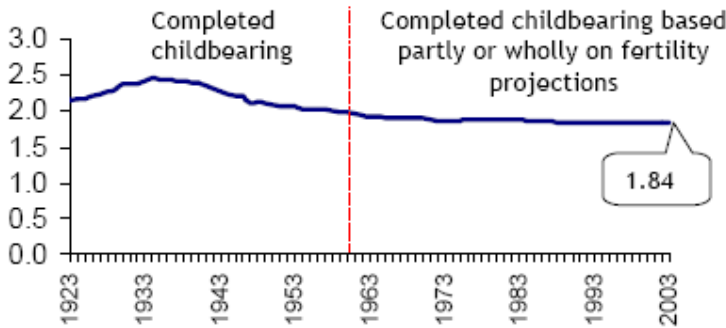
There has been a trend for people to live alone, especially amongst the working age population. By 2005, the number of people living alone in Great Britain had more than doubled since 1971, from 3 million to 7 million.



Growth has been driven by increasing numbers of working age people opting to live alone; rising divorce/separation rates; and increasing numbers of old people living alone (following death of a partner)

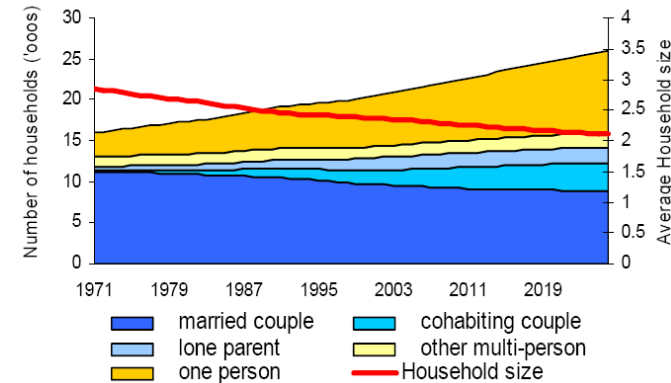
Family size is getting smaller as women have fewer children so that many families will be smaller households

Average UK completed family size, by year of birth of woman [1]

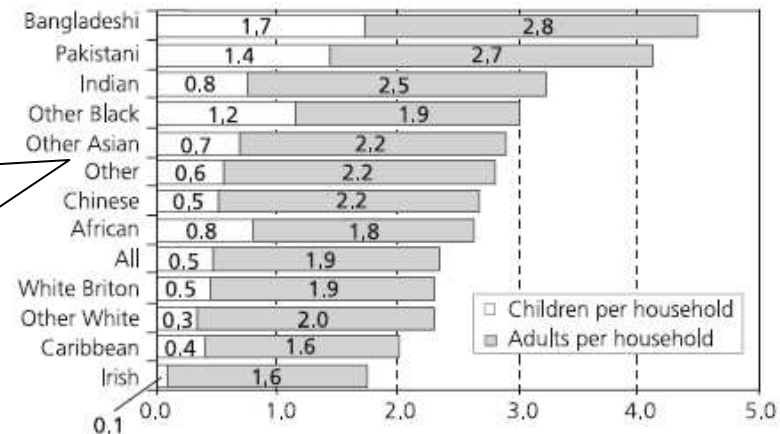


As ethnicity of working age population changes so might needs for working age and family homes

Single person households are projected to make up to 70% of the annual growth in households to 2026



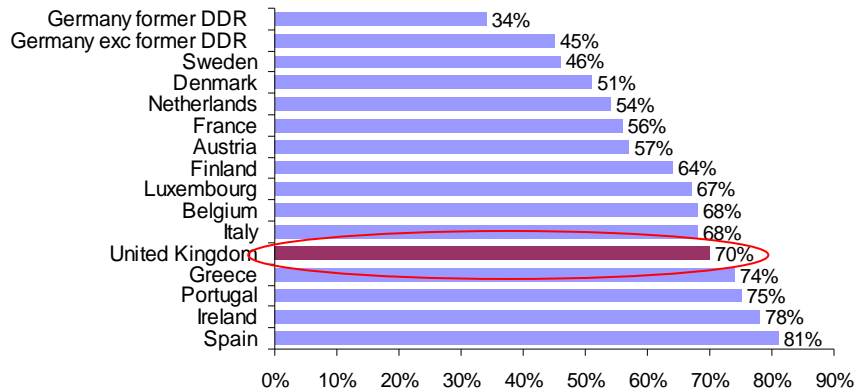
However, average household size and composition varies considerably between ethnic groups [3]



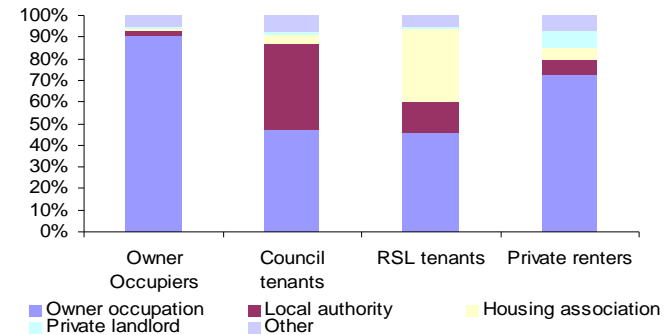
Sources: [1]ONS (2005) General Household Survey; [2]ONS (2007) Social Trends 37; [3]Comparison of ONS 2006 based principal projection and zero net migration scenario

Patterns of tenure are changing

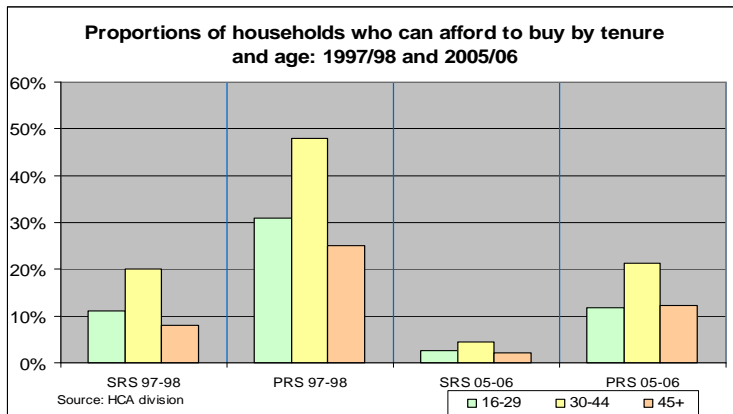
Owner-occupancy in the UK is high compared to other nations and recent figures suggest growth has levelled off



A large proportion of people in all tenures do aspire to owner-occupancy

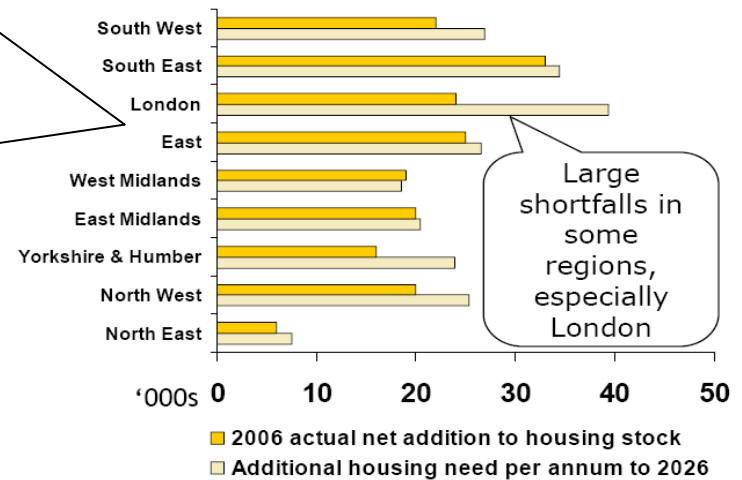


The proportions who can afford to buy have fallen in each tenure since 1997/98. Recent restrictions on lending may further limit access to the market



There is also a need to match type of housing supply to demand. In some areas high proportions of one/two bed flats have been built but people want houses with gardens

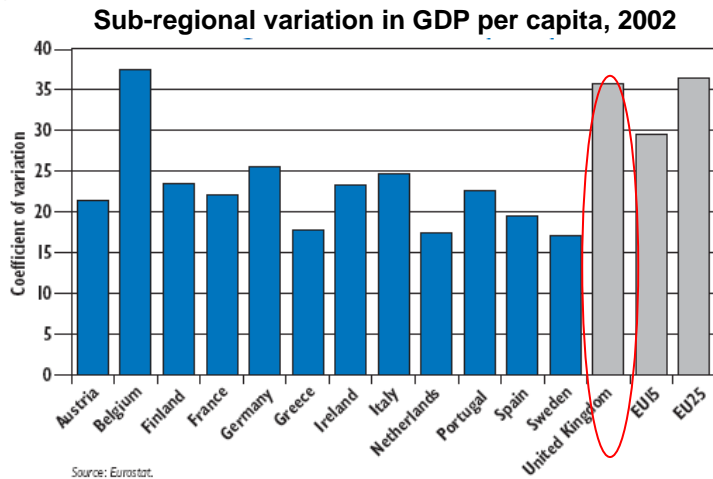
Recent house building levels are below future household formation in almost all areas



Sources: CLG based household projections (1) Council of Mortgage Lenders (2007) (2) Council of Mortgage Lenders (2007) Housing Finance Issue 3;(3) National Housing and Planning Advice Unit (2007) Developing a target range for the supply of new homes across England.

Global economic shifts will increase pressure on local economies and increase the need for skills

There are persistent gaps between UK regions in terms of economic performance, and this regional variation is high by international standards

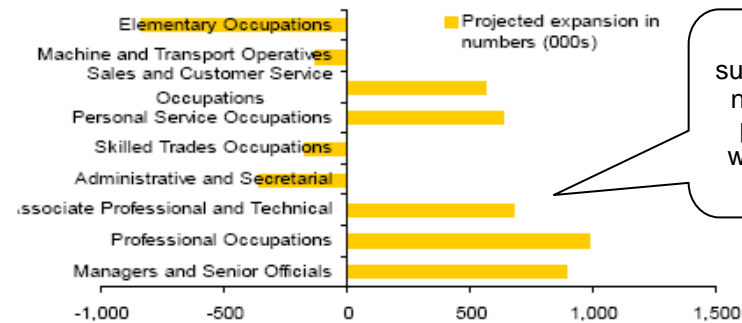


Global projections suggest that the balance of international activity will shift towards emerging markets such as China and India. This will provide new opportunities for growth and create further intensification of cross-border economic competition.

This increased exposure to international competition could increase pressure on areas of the country with weaker economic bases and present a risk to places where the economy is not sufficiently diverse. Places will need to develop economies that exploit their competitive advantage. They will need to have the right people with the right skills to do this

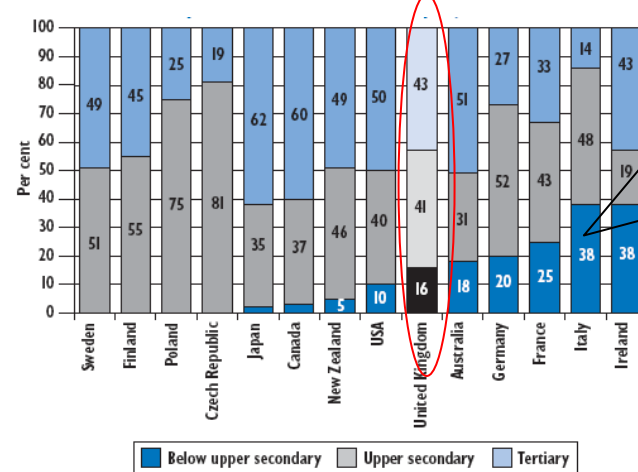
Sources: Leitch Report 2007

The UK economy is changing and moving towards a more knowledge intensive industry.



This suggests a need for people with high skills

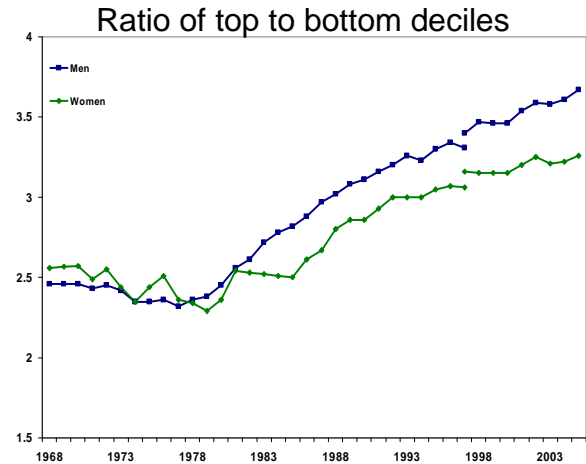
The UK labour force might lack the higher skills profile needed for the changing economy. International skills projections to 2020 imply that the UK would lie around the middle of the OECD pack in all areas of skills in 2020



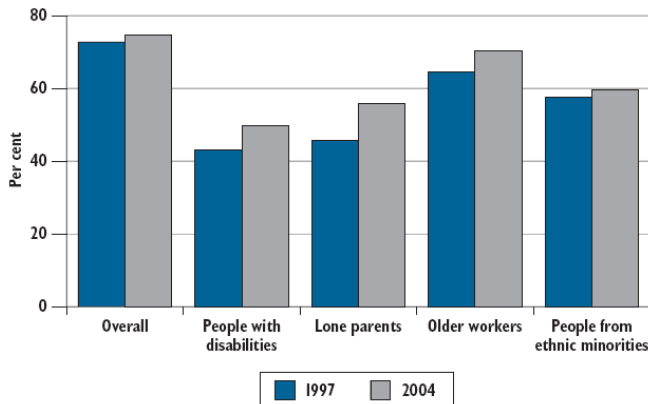
The Leitch Report proposed that the UK improve skills to avoid a "generation cut off permanently from labour market opportunity."

Those without the right skills might get left behind and economic polarisation might intensify

Median incomes in England have risen by 39% between 1997 and 2006 but earnings dispersion continues to widen

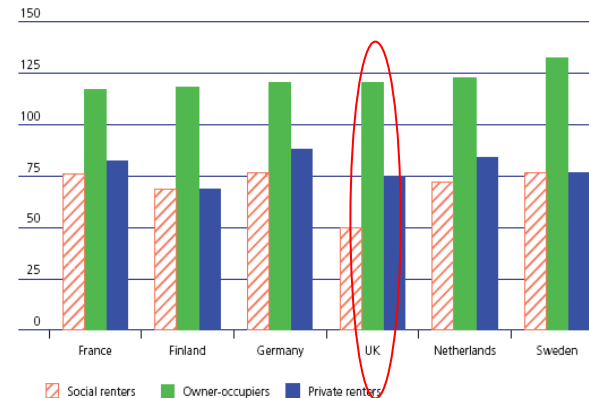


Employment rates differ for different groups

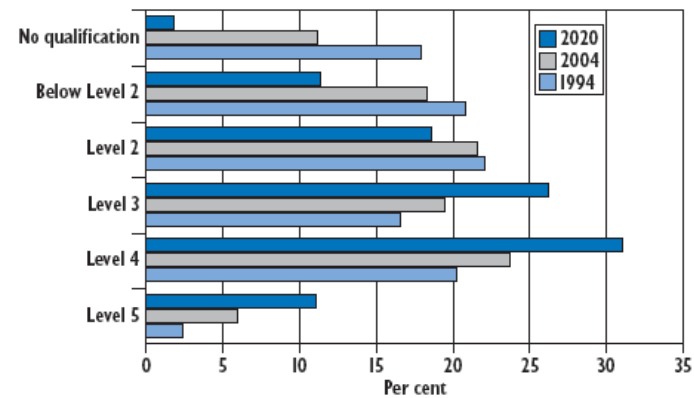


There is a significant income gap between tenures in the UK compared to international standards

European comparison of average after tax incomes by tenure, late 1990s (incomes by tenure as % of national average) [1]



Share of employment is also affected by qualification level. Projections from 1994–2020 suggest this trend will increase



Sources: [1] M. Stephens et al, (2002) Social Market or safety net? – British Social rented housing in a European context. [2] Labour Force Survey