



BLOCK HP.102

**STRUCTURE OF
HOUSING PROVISION -
UNDERSTANDING
TENURE**

Preface

This block is designed to tell you about tenure in Britain. You have already been introduced to some of this in Block HP.101: *What Housing Do We Need?* Here we will go into the topic in much more detail, dealing with historical perspectives, comparative material and current issues.

Time Allowance

Studying this block should take approximately 18 hours including time for the Activities.

Learning Outcomes

When you have finished studying this block, you will be able to:

- identify the main tenure groups in the U.K.;
- understand how home ownership came to be the preferred tenure for most people;
- understand the reasons for the decline of the private rented sector and why there have been recent attempts to revive it;
- summarise current thinking on local authority housing provision;
- summarise the reasons for the growth and development of housing associations.

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A. Introduction

A lot of the activities you will be asked to do are based on analysing statistical information in the form of tables. Do not let this put you off. With a little work these figures can reveal a lot of interesting information. See Skills Workbooks 12 and 15 if you need more help.

1. Tenure in the United Kingdom

The term *tenure* essentially refers to who owns the dwellings in which people live.

Activity 1

In the United Kingdom there are four main types of tenure.

Can you think of them?

Time allocation: 5 minutes

They are:

- Owner occupation.
- Council housing.
- Private renting.
- Housing associations.

Activity 2

Try to write brief descriptions of the main characteristics of these different tenures.

Time allocation: 10 minutes

1.1 Owner occupation

As the name implies this is where an individual or household owns and occupies a dwelling.

This ownership can either be outright or subject to a mortgage where the 'owner' is still paying off the loan on their house, with the house acting as security for the loan.

1.2 Council housing

This is often called public housing. Dwellings are built and owned by local authorities that rent them out at affordable rents.

Council housing has been through many phases in its life, alternating between being a tenure for all people and having to concentrate on those in housing need. In recent times council housing has increasingly been for those in need.

1.3 Private renting

In this tenure the dwellings are owned by a wide variety of private landlords. They rent properties, in the main, with a view to making a profit.

This tenure houses a great many diverse groups. We will explore this in greater depth later in the block.

1.4 Housing associations

These are non-profit making bodies set up to house those in housing need at an affordable rent.

Housing associations have existed in one form or another since the 19th century, but it is only in the last 20 years or so that they have come to be a significant (though minority) tenure in the United Kingdom. Housing associations have now replaced local authorities, or council housing, as the Government's chosen providers of 'social' housing.

2. The Changing Tenure Pattern

Tenure is not a static phenomenon and over the last century the United Kingdom has almost seen a revolution in tenure patterns.

Let us look at this in more detail.

Table 1: Housing tenure in England and Wales. Percentage of total stock

	1914	1951	1971	1991	1996
Owner-occupation	10	30	52	69	67.7
Local auth./New Town rented	0	18	29	22	17.6
Private landlords	90	52	19	8	10.1
Housing association	0	0	0	2.8	4.6

(Source: *Housing and Construction Statistics 1986-1996* (HMSO 1998).)

Activity 3

What can this table tell you about tenure in England and Wales?

Time allocation: 15 minutes

2.1 Changes in tenure in England and Wales

The most significant changes are:

- The decrease in renting.
- The rise in owner occupation.
- The introduction and growth of local authority housing.

(a) The decrease in renting

Over the century the private rented sector has decreased dramatically. Housing associations have only recently become an individually recognised rented tenure in housing statistics, and even so, are still in a minority comprising only 4.6 in 1996.

(b) The rise in owner-occupation

This is almost as startling as the decrease in the private rented sector. Owner-occupation is the major tenure now in England and Wales, and has largely replaced the private sector.

(c) The introduction and growth of local authority housing

As the table shows, this has grown significantly since the First World War to a peak in the early 1970s.

Activity 4

Let us see whether Scotland follows this pattern.

Table 2: Tenure in Scotland at the end of 1996¹

Owner-occupation	59.2%
Public sector	29.7%
Private rented	6.8%
Housing Association	4.4%

(Source: Housing and Construction Statistics ('HMSO, 1998,)

¹*Figures as at December 1998.*

Try to think of the differences between Scotland and England & Wales.

Time allocation: 10 minutes

2.2 Differences between Scotland and England & Wales

The main difference is that owner-occupation is significantly lower in Scotland and public sector renting is significantly higher.

As the other tenures are more or less comparable with England and Wales it can be assumed that more people in Scotland are housed in council housing at the expense of owner-occupation.

Indeed high levels of council housing are a recognised trait in Scotland. This is usually explained by the fact that local authorities have been particularly active in Scotland in attempting to improve the terrible housing conditions, which were a legacy of the 19th century.

The large scale programmes of slum clearance of private homes in Scotland and their replacement by council housing is evidence of this.

The comparison with Scotland should make you aware that the English and Welsh tenure pattern is not the same for every country.

The next section will look at wider international comparisons which further demonstrate the diversity of tenure patterns.

3. International Comparisons

The following table shows the tenure of the major Western European countries in 1994.

The figures are shown as the percentage of total stock.

Table 3: Tenure of European Community Countries

	Social Rented %	Private Rented %	Owner Occupied %	Other %
B	7	30	62	1
DK	18	24	50	8
D	26	36	38	0
GR	0	26	70	4
E	2	16	76	6
F	17	21	54	8
IRL	11	9	80	0
I	6	8	67	19
L	2	31	67	0
NL	36	17	47	0
P	4	28	65	3
UK	24	10	66	0
A	23	22	41	14
SF	14	11	72	3
S	22	16	43	19

(Source: EUROSTAT, OCDE, ONU, Observatoire Europeen du Logement social.)

Activity 5

What trends and differences can you see?

Time allocation: 10 minutes

It can be seen that in the majority of European Community countries owner-occupation is the majority tenure. However, in comparison with the U.K., many countries have a lower level of owner occupation.

It is interesting that in Germany, the private rented sector is almost the majority tenure.

The UK fares quite well in its proportion of social housing; the Netherlands having the highest proportion at 36%.

The above section has been included to alert you to the fact that there is no tenure pattern 'blueprint'. Different countries have their own particular social, economic and historical reasons for their tenure development.

This comparative analysis also demonstrates that although the private rented sector and housing associations are minority tenure in Britain this does not necessarily need to be so. Given the right conditions these tenures could flourish in the United Kingdom.

B. Housing Pathways

Activity 6

Think about your 'housing career', that is the type of houses you have lived in, who owned them and when you lived there. Now think of the housing career of your parents in similar terms.

Try and draw a diagram of the changes.

Time allocation: 10 minutes

1. Introduction

These are yours and your parents' 'housing pathways'.

The idea of recognising housing pathways is based on the concept that specific groups within society follow similar housing careers. The type of dwelling occupied and the tenure of the dwelling are the two factors usually discussed.

A number of studies have been done into possible housing pathways. Perhaps one of the best is that of Alan Murie who based his study *Household Movement and Housing Choice* on people moving house in West Yorkshire in 1969.

Here are the patterns of movement he uncovered.

1.1 Existing household movers

A high proportion of moves were within tenures particularly within the owner-occupation and council sectors.

Owner-occupation and council renting were the main recipients of moves. Most of these came from the private rented sector, especially the unfurnished sub-sector.

People moving from the unfurnished private rented sub-sector are more likely to go into council housing, while those from the furnished private rented sub-sector are more likely to go into owner-occupation.

1.2 New households

A high proportion (57%) went direct to owner-occupation while few went straight into council renting. Those not going into owner-occupation went into the private rented sector.

For new households, Murie suggested that there were two individual housing pathways:

(a) Owner-occupation

Most people went straight into this tenure on forming a separate household from their parents. Others tended to come from the furnished private rented sector and were mainly from higher socio-economic groups.

(b) Renting

Most begin in the furnished private rented sector and then move later into council housing. These groups tend to come from lower socio-economic groups.

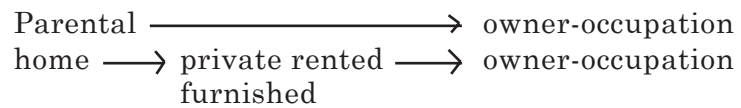
Activity 7

Try to draw diagrams for these two individual housing pathways. It should help you to see how they work.

Time allocation: 10 minutes

1.3 Owner-occupation

Higher socio-economic groups.



1.4 Rented

Lower socio-economic groups



As you will discover from the later sections on the different tenures, the tenure pattern in Britain is changing. These models will therefore have changed.

1.5 Other housing pathways

Recent statistics show that new households are likely to either move straight into owner occupation or into the private rented sector: 37% and 38% of those surveyed respectively.(see Table 4.)

Table 4: New households in England 1996/97, by tenure

	%
All owners	37
Social rented:	
council	20
HA	5
Private rented:	
Furnished	19
Unfurnished	19

(Source: Survey of English Housing 1996/97 (HMSO 1998).)

20% of new movers went directly into council housing. This is an increased proportion reflecting the more flexible allocation policies of councils who no longer require entrant households to constitute a traditional family and are more likely to accept new forms of households such as young singles.

It is likely that more recent changes will also affect housing pathways.

Housing associations will increasingly be seen as a player in housing pathways, in a way similar to the role of local authorities.

More people lower down the economic scale will enter owner-occupation either at the beginning of their housing career or after a period in council renting due to the action of Right to Buy legislation.

Council house provision for new households will also have changed. The increasing pressure on this tenure and the lack of new building due to financial constraints means that entrance to this tenure is becoming somewhat restricted. A local authority's first duty is to prioritise homeless groups, i.e. those in greatest housing need.

Now we have explored potential 'model' housing pathways we must ask what events cause a change in housing pathways.

2. Reasons for Change in Housing Tenure

Murie lists a number of what he calls 'trigger' mechanisms. These are:

- Life cycle change.
- Income change.
- Change in employment.
- Change in area of residence.

The last two of these trigger mechanisms are self explanatory. Let us explore the first two in more detail.

2.1 Life cycle changes

Activity 8

Make a list of the life cycle changes you can think of in the space below.

Time allocation: 5 minutes

Some of the more significant changes that could affect your housing career are:

- Moving out of parental home.
- Marriage or cohabitation.
- Birth of children.
- Ageing of children.
- Children leaving home.
- Divorce.
- Ageing of households.
- Death of a partner.

To explore the effects of a particular life cycle change on a person's housing career we will examine one such change in more detail, in this case **divorce**.

Activity 9

Look at the following tables. What do they tell you about the consequences of splitting up the marital home?

Table 5: Action taken over the marital home. Figures in percentages

	stayed in home	moved later	moved same time	moved first
Custodial fathers	61	31	1	7
Custodial mothers	41	21	10	28
Non-custodial fathers	14	12	11	64
Non-custodial mothers	0	4	9	87

Table 6: Tenure of marital home in percentages

	Owner occupation	Council renting	Other rental
Tenure after first place			
Owner-occup.	36	5	10
Council	7	24	17
Other rented	24	24	40
Shared	33	47	33
Current tenure			
Owner-occup.	75	17	27
Council	12	62	31
Other rented	9	14	33
Shared	5	8	8

(Source: Joseph Rowntree Trust Housing Research Findings No.25, January 1991, Table 3.)

The consequences are:

Time allocation: 15 minutes

In keeping the marital home, men appear to fare better than women which is perhaps ironic when it is usually the women who keep the children. If they retain custody of any children, 61% of men as opposed to 41% of custodial women retained the matrimonial home. Of the non-custodial parent, the women surveyed never stayed in the matrimonial home.

Of the non-custodial mothers, nearly 90% were the first to move out compared with 64% of non-custodial fathers. Again four times as many custodial mothers moved out compared with custodial fathers.

Let us look at the tenure change that divorce can trigger.

As the table shows, this differs in the short term to the long term. Let us deal first with those whose matrimonial home was owner-occupation.

Only a small percentage, 7% of previous owner-occupiers, move into council housing. However, in the longer term this increases slightly to 12%.

A third go into 'shared' accommodation, with relations or friends, although this rapidly decreases in the long term.

Almost a quarter go into the rented sector, again this quite rapidly decreases.

Perhaps most interesting, after an initial fall to 36% on their first move, in the longer term 75% of previous owner-occupiers return to that tenure. However as the Joseph Rowntree Foundation findings explain:

“Even among those remaining in owner-occupation the trend is towards less satisfactory housing circumstances.”

Now let us turn to those whose matrimonial home was council housing.

Here the majority, almost a half, go into shared accommodation immediately, but again this declines rapidly. Equal proportions (24%) remain in the council sector or go into private rented or housing association accommodation.

Again in the longer term the majority, 62%, return to their previous tenure i.e. council renting. What is perhaps quite interesting is that a significant proportion, 17%, end up being owner-occupiers.

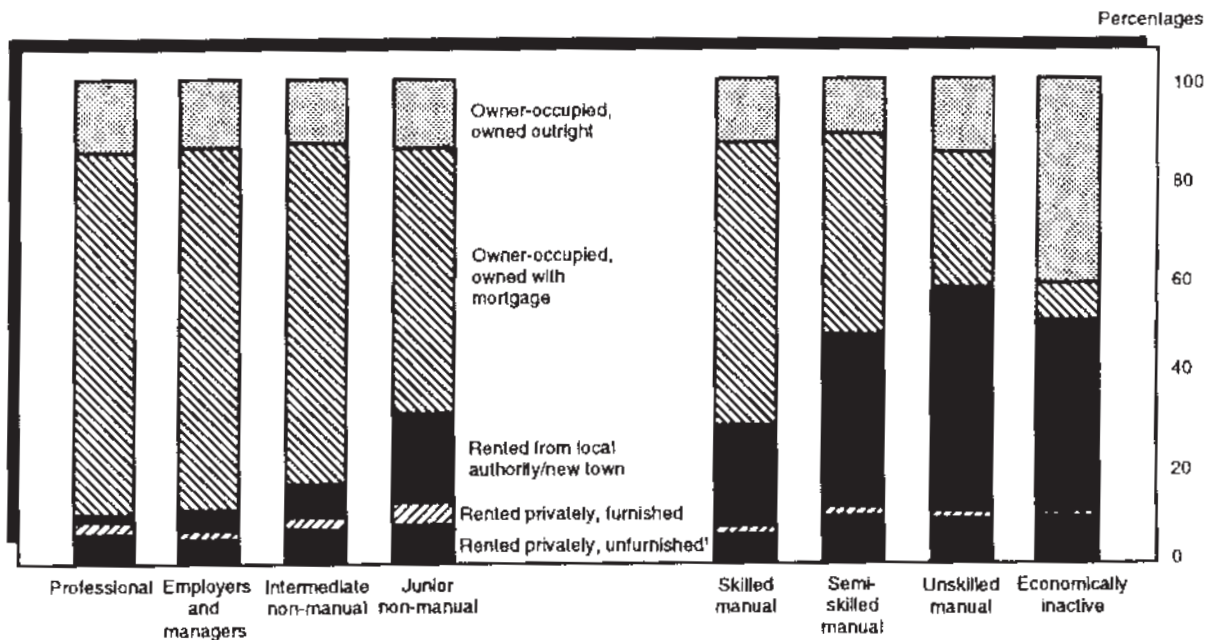
Of those whose matrimonial home is in the private rented sector or the housing association sector in their first move the majority either remain in the rented sector or share accommodation.

In the longer term the pattern is completely different, a third remain in the private rented sector in housing associations and nearly a third move into the council sector. A sizeable proportion move eventually into owner-occupation, in this survey 27%.

2.2 Income change

As the following table shows tenure changes a lot according to your income, or in this instance, the socio-economic group to which you belong.

Figure 1: Tenure by socio-economic group



Source: Social Trends 22 (HMSO, 1992)

(Source: Social Trends 22, HMSO, 1992.)

Activity 10

Using the table, explain what happens when an unskilled manual person gets skilled manual employment.

Time allocation: 5 minutes

As you can see, there is an increase in owner-occupation, mostly from those owning mortgages. This suggests that more people choose to start buying when they reach this socio-economic status.

There is a decrease in local authority and private furnished renting. It is from this renting 'pool' that people leave to enter owner-occupation.

Activity 11

Similarly describe what happens when there is a decrease in income due to a move down the socio-economic scale from intermediate to junior non-manual employment.

Time allocation: 5 minutes

Straight away there is a decline in the number of those that own on a mortgage. Most of this loss is taken up by council renting.

3. Conclusion

- (a) Housing pathways are an interesting way of analysing what governs the entrance to particular types of tenure and more over what governs the entrance to particular types of tenure and more over what governs the moves in a person's lifetime.
- (b) They are also a useful mechanism for attempting to discover the housing needs of different types of people at different times in their housing career.
- (c) Yet housing pathways are not an exact science and should not be treated as such. They are only representative of general trends as each individual has a distinctive housing career. Moreover the analysis of housing pathways misses out significant minorities such as those that do not live in the four major tenures in Britain and the experiences of different ethnic minority groups.

Summary

1. The main tenures are owner occupations, council housing, private rented and housing association renting.
2. During this century, owner occupation has grown dramatically, while private renting has declined. Council housing grew until the 1980s, but has since declined.
3. In comparison with England, Scotland has more council housing and less owner occupation. In comparison with most of the rest of Europe, the UK has more owner occupation and less private renting.
4. There are a number of typical 'pathways' of movement between the tenures, leading in most cases to owner occupation or council renting. However, these can be disrupted by, for example, marital breakdown.

C.Owner-Occupation

As the table in the introduction showed, the 20th century has seen a phenomenal growth in owner-occupation. Almost 70% of people in Great Britain now own their own homes.

Activity 12

Try to think of some reasons why the United Kingdom has got such a high proportion of homeowners.

Time allocation: 5 minutes

1. Reasons for High Levels of Home Ownership in the UK

1.1 A natural preference

It is often stated that there is a natural preference for owner-occupation in the United Kingdom.

The following table shows in which tenure adults would prefer to be in two years' time.

Table 7: Preferred tenure in two years time in England, 1996/97, by current tenure

<i>Current tenure</i>	<i>Preferred tenure</i>			
	<i>Owned outright or with a mortgage</i>	<i>rented from council</i>	<i>rented from HA</i>	<i>rented from private landlord</i>
Owned outright	98	1	1	0
Buying with a mortgage	99	1	0	0
Rented from council	36	61	3	1
Housing association	41	7	51	1
Private rented	66	9	4	21

(Source: Survey of English Housing, 1996/97 (HMSO: 1998).)

Activity 13

What does this table tell you?

Time allocation: 5 minutes

As you can see, there is little demand amongst owner-occupiers to be in any other tenure.

Overall, this table does lend some support to the idea that there is a natural preference for owner-occupation, however, as the international comparison in the introduction shows, this is not always the case. So we must further explore why the United Kingdom has such a large proportion of owner-occupation.

1.2 Government promotion

There has been a lot of government promotion of home ownership. Although both major political parties support home ownership, Conservative governments are traditionally seen as the greatest promoters of owner-occupation.

The government support often plays up to the idea that home ownership is the natural tenure. The Conservative White Paper of 1972 *A Fair Deal for Housing* stated:

‘Home ownership is the most rewarding form of tenure. It satisfies a deep and natural desire on the part of the householder to have individual control of the house that shelters him and his family’.

A similar Labour Green Paper on housing in 1977 stated:

“An increasing number of people want their own home. The government welcomes this trend and intends to continue to support home ownership.”

However, governmental promotion of home ownership was carried out with the greatest force and with the greatest success by Mrs Thatcher’s Conservative government of the 1980s, particularly through Right to Buy (we will look at this in more depth later).

1.3 Support through the housing finance system

In the past, owner-occupiers have been able to receive mortgage interest tax relief. This support meant that buyers have not had to pay income tax on the interest from their debt.

However, from April 2000 mortgage interest tax relief will be abolished. In its final year (1999/2000), it is expected to cost £1.4 billion.

1.4 Lack of alternatives

It is almost impossible to get the same range of houses that are available in the private home owners market in the other British tenures.

Although there is a small proportion of high quality executive dwellings in the private rented sector, if the household has the money, the tenure most likely to offer 'quality' homes is the owner-occupied sector.

Moreover owner-occupation does give households a greater opportunity to fulfil their preferences and choices within their income bracket. However, recent academic research for the DETR suggests that people's positive attitudes towards owner occupation can be partly explained by their negative perceptions of renting, and especially of the private rented sector. Many people feel that the image of the private rented sector remains one of low quality housing, difficult landlords and rents which represent dead money. It is not so much that owner-occupation provides all the answers but that the other tenures do not provide nearly enough (Forrest., R., Kennett, P. and Lodge, R. (1998) *Attitudes to Home Ownership in the 1990s*, Bristol: SPS).

2. A Closer Look at Owner Occupiers

It is often presumed that those within this tenure are a homogeneous group i.e. they possess similar characteristics. However with owner-occupation being such a dominant tenure in the United Kingdom it inevitably covers a wide range of people and properties.

The following tables show you the change in the composition of owner-occupation by socio-economic groups from 1961 to 1985 in England and Wales.

Table 8: Owner-occupation by socio-economic group (1961-1991)

	1965	1991	% change
Professional, employers & managers	68	90	+22
Intermediate non-manual	60	83	+23
Junior non-manual	51	71	+20
Skilled manual	37	73	+36
Semi-skilled manual	29	49	+20
Unskilled	22	38	+16

(Source: *Social Trends*) 1993 (HMSO, 1993).)

Activity 14

What does this table tell you about owner-occupation?

Time allocation: 5 minutes

2.1 Owner-occupation and socio-economic group

There has been a growth in the proportion of the households who own their property in each socio-economic group, although as might be expected there have been quite large increases in the top two socio-economic groups.

The largest increase of all comes within the skilled manual group: an increase of 29% between these years. It is this group that has been most affected by the Right to Buy in the 1980s.

Overall this table shows that, unsurprisingly, the higher up the socio-economic scale a person is the more likely they are to be owner-occupiers. More interestingly the table also shows that owner-occupation is easily the majority tenure quite a way down the socio-economic scale. Even amongst the semi-skilled and unskilled groups it makes up a significant proportion of the tenure.

This picture is confirmed if you look at the following table which shows owner-occupation (whether outright or mortgaged) by the income of the head of household.

Table 9: Owner-occupation by income

Weekly income	Owned outright	With mortgage
up to £100	23%	11%
£101-£150	34%	23%
£151-£200	27%	39%
£201-£250	23%	51%
£251-£300	21%	61%
£301+	18%	76%

(Source: General Household Survey 1991 (HMSO; 1993).)

data not available in 1992 survey

Activity 15

What does this table tell you?

Time allocation: 5 minutes

2.2 Owner-occupation and income

As might be expected the total number of people who own (i.e. those who own outright and those who own on a mortgage) increases up the income scale.

The surprising thing yet again perhaps is the proportion of people on low incomes who do now own their home.

Of those who earn up to £100, 34% are owner-occupiers. This increases to 57% for those that earn between £101-£150.

Let us look in more detail at how people so far down the income scale have become owner-occupiers.

There have been two major causes for this during the 1980s:

- (i) The effect of Right to Buy legislation.
- (ii) The expansion and liberalisation of the housing finance markets.

2.3 Right to Buy

Obviously one big strand in the move of owner-occupation down the income and socio-economic scale is the Right to Buy legislation.

Although for sitting tenants right to buy has existed in one form or another since the inter-war period, it was given its most significant boost under the **1980 Housing Act**.

The 1980 Housing Act gave a **statutory** right to buy (rather than one at the local authority's discretion). This applied to most of the secure tenants who had three years' tenancy except those in purpose built old people's dwellings, sheltered accommodation, hostels and cottages of Crown tenants.

This legislation has been further extended by the **Housing and Building Control Act 1984** and the **Housing and Planning Act 1986**. The former reduced the residential qualifications from three years to two and increased the maximum discount from 50% to 60%. The latter increased the maximum discount available on flats to 70% and reduced the time during which the discount had to be repaid if the property was resold from five to three years.

Table 10: Right to Buy sales in Great Britain

	England	Scotland	Wales
1984	83,440	11,443	5,266
1985	76,319	10,646	5,265
1986	73,767	10,251	5,232
1987	84,007	13,796	5,506
1988	128,566	22,616	9,386
1989	139,722	29,177	12,486
1990	93,995	26,940	6,275
1991	51,493	18,586	3,397
1992	41,445	19,825	2,716
1993	41,248	16,372	2,715
1994	44,999	17,167	3,008
1995	33,960	13,059	2,265
1996 (provisional)	31,411	9,034	2,004
Total sales	1,277,355	249,000	96,675

As you can see, Right to Buy has had a big impact both on reducing local authority stock and increasing the number of households in owner-occupation.

As the table shows, the rate at which properties are being bought is slowing down, in line with the private sector housing market. In response to this, in 1993, the Government introduced a new scheme for public sector tenants called “Rent to Mortgage”. Under this, tenants get a discount on the cost of their home and then pay a mortgage equivalent to their rent. Any outstanding equity not covered by their mortgage is repaid on sale with further discounts. The Rent to Mortgage scheme has not proved popular with tenants. Very few have taken advantage of this scheme compared with Right to Buy.

2.4 Expansion of finance markets

The main providers of mortgages are building societies. These evolved from a variety of co-operative and friendly societies which started up in the 18th century to provide mutual support among the migrants to new towns and cities caused by industrialisation.

It was during the 1930s that building societies really began to take on the recognisable form of the institutions found today. During this time, people began to invest their savings into building societies as real incomes rose and there was a lack of comparable alternative investment opportunities.

This rise in real incomes for those in employment also caused a demand for loans, particularly as prices in general were tending to fall.

In addition, in 1933 the Conservative dominated national government abolished subsidies to local authorities for building housing for general needs and confined the role of councils to rehousing people from slum clearance.

This left the way open for building societies and private builders to fuel the home ownership boom. The lack of alternatives forced those who could afford it into this type of housing.

During the 20th century the number of building societies has declined, but they have been consolidated into a number of large powerful societies. For example, the number of societies fell from 819 in 1950 to 190 in 1984.

In the last 20 years there has been another great change in private housing finance. In the 1970s and early 1980s banks were freed from government controls which had prevented them from competing with building societies on both the savings and mortgage business. Many banks, for example Lloyd's, went all the way in this type of activity setting up estate agents and insurance services.

However, the building societies fought back and following the Building Societies Act 1986 they could now offer wider services including estate agency, structural surveys, conveyancing and insurance broking.

This has meant that there has been a great deal of competition between banks and building societies both to get people to save with them and also to take out mortgages. In addition the 1980s saw the setting up of specialist mortgage companies.

The competition in mortgage markets since the end of the 1980s has meant that more and more people have gained access to the mortgage market. Up until this decade there used to be a waiting system for mortgages.

Many lenders have liberalised their regimes, often dispensing with the need for borrowers to put down a deposit, i.e. giving a 100% mortgage. They have also been prepared to lend more money on each property. The limit used to be twice the income of the household but at the end of the 1980s this at times reached three and a half times the household income.

Table 11: Main institutional sources of mortgages: gross advances

Gross Advances £m	
1988	66,118
1989	57,763
1990	60,273
1991	58,842
1992	51,441
1993	52,172
1994	55,549
1995	55,264
1996	69,094
1997	72,841
1998	83,592

(Source: *Housing and Construction Statistics*)

Table 11 demonstrates the cyclic nature of the housing market, with the boom of the late 1980s and early 1990s superseded by a slump in the mid-1990s. By 1996 the figures show an upswing again in the level of gross advances, rising rapidly to the figure of £83,592 million in 1998.

This demonstrates the trends outlined above. The table, however, also demonstrates that mortgage lending has decreased since 1988. This is one indication of the current housing crisis which is discussed later in this section. In addition, the average mortgage debt per household has increased phenomenally.

2.5 Regional differences

There is diversity among home owners on a regional basis too.

Table 12: Owner-occupation In England, 1996, by region

	%
North East	59
Yorkshire and Humber	65
East Midlands	71
Eastern	71
South East	74
Greater London	57
South West	72
West Midlands	68
North West	69
Merseyside	64
England	68
Wales	71
Scotland	59
Great Britain	67

(Source: *Housing and Construction Statistics 1986-1996 (HMSO: 1998).*)

As this table shows, where you live appears to have an effect on the likelihood that you will be a home owner.

The highest proportions of home owners are found in southern regions particularly the South East.

The North East region and Scotland have the lowest proportions of home ownership. Note the same can be said for Greater London where there is little residential property for sale.

There are social, historical and economical reasons for this. Historically, home ownership has had less influence in certain regions. For example, in Scotland and to a lesser extent in the north East, lower levels of home ownership can be accounted for by the high rates of council house building after massive slum clearance programmes.

A more contemporary reason for the differing levels of owner occupation is the differences in regional house prices.

Activity 16

Overleaf is a table showing real house prices by region between 1980-1998.

What does this tell you about house prices in different regions?

Time allocation: 10 minutes

Figure 2: Average regional house prices

Region	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
North	17,710	18,602	18,071	20,034	22,604	22,786	24,333	27,275	30,193	37,374	43,555	46,005	48,347	49,337	50,180	47,071	52,194	53,229	57,818
Yorkshire & Humberside	17,689	19,202	18,180	20,870	22,356	23,338	25,607	27,747	32,685	41,817	47,231	52,343	52,278	54,346	54,339	54,358	57,334	59,890	62,389
North West	20,092	20,554	20,744	22,827	24,410	25,126	27,503	29,527	34,074	42,126	50,005	53,178	56,377	54,890	57,177	56,544	58,231	63,558	65,665
East Midlands	18,928	19,465	19,487	22,034	24,377	25,539	28,483	31,808	40,521	49,421	52,620	55,740	54,599	53,370	55,092	55,058	59,742	61,798	66,313
West Midlands	21,663	21,755	20,992	23,133	24,989	25,855	28,437	32,657	41,700	49,815	54,694	58,659	57,827	58,315	59,118	62,140	64,574	67,623	71,991
East Anglia	22,808	23,060	23,358	25,814	28,296	31,661	36,061	42,681	57,295	64,610	61,427	61,141	56,770	58,039	59,523	60,911	62,928	69,694	75,312
Greater London	30,968	30,757	30,712	34,632	39,346	44,301	54,863	66,024	77,697	82,383	83,821	85,742	78,254	78,399	87,505	89,562	94,523	105,644	115,245
Rest of South East	29,832	29,975	29,676	33,753	37,334	40,487	48,544	57,387	72,561	81,635	80,525	79,042	74,347	74,605	80,581	80,966	86,313	92,651	104,369
South West	25,293	25,365	25,514	27,996	30,612	32,948	38,536	44,728	58,457	67,004	65,378	65,346	61,460	60,791	64,823	65,096	68,405	72,811	80,388
Wales	19,363	20,155	19,662	22,533	23,665	25,005	27,354	29,704	34,244	42,981	46,464	48,989	49,685	52,072	53,068	52,994	55,331	58,731	61,219
Scotland	21,754	23,014	22,522	23,822	25,865	26,941	28,242	29,591	31,479	35,394	41,744	48,772	49,224	49,553	50,552	53,115	57,431	57,697	62,389
Northern Ireland	23,656	19,890	20,177	20,878	21,455	23,012	25,743	27,773	29,875	30,280	31,849	35,352	37,775	38,878	38,810	42,810	47,849	53,332	59,597
United Kingdom	23,596	24,188	23,644	26,469	29,106	31,103	36,276	40,391	49,355	54,846	59,785	62,455	60,821	61,223	64,762	65,650	70,536	75,959	81,994

Sources: Housing Finance, Council of Mortgage Lenders, derived from the DoE/BSA 5% sample survey, and from 1994 the wider Survey of Mortgage Lenders.

Notes: The average prices are not adjusted for changes in the mix of properties mortgaged to building societies. There is a discontinuity in the series between 1993 and 1994, due to the switch to the wider Survey of Mortgage Lenders.

The impact of this break in the series varies from region to region, but the aggregate effect for the UK is to increase reported prices by some 2%.

(Source: The Housing Finance Review 1999-2000.)

Activity 17

What does this tell you about house prices in different regions?

Time allocation: 10 minutes

When you simply compare the average house price in York and Humberside, Scotland or the North with the average house price in the South East you can see that over this period it has always been cheaper to buy in the northern regions of the United Kingdom.

Since the early 1980s the difference between the South and the North in basic terms has increased rapidly, far surpassing the peak in the early 1970s. The table shows that this is due to rapid price increases particularly in London and the rest of the South East. Although there have been price increases in other regions they have been much more gradual, even in the South West and East Anglia which also have experienced quite dramatic price increases.

These increases have the greatest effects on two groups.

(a) First time buyers

The rapid increases act as a complete barrier to many groups, since the levels of wages in different regions by no means match the differences in regional house prices.

A knock on effect of this is the impact on job mobility between regions. For example if a home owner in the North was to move to the South East to work they would need a massive wage increase to allow them to be an equivalent home owner in the South East.

(b) Home owners who bought in the early 1980s

If a person or household bought a house at the right time, in this instance during the early 1980s, they would have seen a massive increase in the value of their home particularly if they bought in London, the South East, the South West or East Anglia.

3. The Crisis in Owner Occupation in the Late 1980s

As we have seen, the 1980s saw a period of house price booms and a greatly expanded mortgage market.

From about 1988 to the mid-nineties, the house market was in a slump. Some of the reasons behind this slump were very complex but in basic terms they are:

- The recession.
- The spiralling house price booms meant many people could not afford to buy any more and therefore demand dropped out of the housing market.

But was it the same story for the whole country?

This table is derived from Housing Finance magazine. It takes 1985 as the 'base year' which is given a score of 100. This enables you to make comparison between the prices in different areas of the country.

Let us look at what happened between 1980 and 1993.

Table 13: Average Regional House Prices, Mix-Adjusted, of Mortgage Completion Stage, Indices

Period	Northern	Yorks & Humber	East Midlands	East Anglia	Greater London	South East (excl GL)	South West	West Midlands	North West	Wales	Scotland	Ireland	UK
1980	74	70	69	68	64	67	71	78	75	71	68	83	70
1981	79	78	74	72	66	70	74	81	80	77	74	81	73
1982	83	79	77	74	67	71	76	83	82	81	79	84	75
1983	92	88	84	81	75	80	85	90	91	89	89	90	84
1984	97	94	93	89	88	91	91	95	95	93	95	94	92
1985	100	100	100	100	100	100	100	100	100	100	100	100	100
1986	109	109	110	116	123	118	115	109	109	108	106	107	114
1987	118	118	124	139	152	144	136	125	117	118	113	114	133
1988	132	139	159	189	187	187	181	167	137	142	122	118	167
1989	170	194	207	221	203	216	219	219	184	193	144	124	202
1990	193	211	207	197	199	198	198	223	212	201	161	131	199
1991	193	220	203	191	191	187	192	224	215	197	175	141	196
1992	202	216	198	181	173	175	182	217	218	194	182	144	189
1990 Q2	188	209	212	200	196	198	199	216	211	189	156	130	198
Q3	205	215	206	197	206	196	199	226	214	213	162	129	201
Q4	199	213	206	194	193	192	195	224	216	203	169	141	198
1991 Q1	206	210	193	195	196	188	189	218	211	192	179	140	196
Q2	193	222	200	186	191	186	188	224	215	187	170	134	195
Q3	192	223	212	199	193	187	198	226	219	199	169	140	198
Q4	194	221	207	186	187	189	191	225	215	209	179	150	197
1992 Q1	192	218	200	175	187	181	188	223	220	205	181	137	193
Q2	205	221	200	180	172	172	181	222	217	192	181	142	188
Q3	203	219	199	184	172	174	182	216	219	192	185	146	189
Q4	214	201	190	174	163	167	173	211	215	186	185	150	182
1993 Q1	196	226	190	170	173	165	168	213	211	192	183	147	182

(Source: *Housing Finance*, August 1993).

Activity 18

Using the table, list the peaks (the highest scores) for each region. What pattern emerges?

Time allocation: 10 minutes

3.1 Regional variations in house prices between 1980 and 1991

There seem to be two main peaks, one in 1989 and one at the end of 1991 which, from the data in these tables, is still increasing.

The regions whose house prices peaked in 1989 are:

- East Anglia
- Greater London
- South East
- South West
- Wales.

These are regions that have been closely associated with the house price boom of the 1980s. Notice how quickly house prices rose in these regions from their base in 1985 to 1989. Also notice how quickly the prices fell. The best example of this is East Anglia which reached a peak of 221 in 1989 (121 points above its base in 1985) yet within three years fell back to 170 (a fall of 51 points).

The regions whose house prices continued to rise until 1991 or 1992 are all in the northern areas; that is:

- Northern
- Yorks and Humberside North West
- Scotland
- Northern Ireland.

The significant points here are that although house prices increased radically since 1985 they did so at a slower pace than the Southern regions and appear to have held their prices better than the Southern regions. Yorks and Humberside seemed to be immune.

The Midlands, both East and West, are an interesting case. They appear to have peaked twice both at the 1989 high point, followed by a decline and now the house prices appear to be picking up again.

3.2 Characteristics of a housing slump

Repossession is the most extreme form of harm that occurs during a slump. The escalating numbers of house repossessions leave many people without a home.

This puts increased pressure on all the other tenures but particularly on local authorities who have a duty to rehouse the homeless in priority need; in this case it will be mainly families with children.

Outstanding arrears leave many people in huge debt. Mortgage lenders face problems about what to do with borrowers in arrears. Repossession in a stagnant market is seen as a non-solution as it just leaves mortgage lenders with empty properties on their hands and the mortgage debt still unpaid.

Another problem of a housing slump is that many people find that their **house is worth less than their mortgage**. This prevents them from selling as they would do so at a loss.

Research by academics and building societies into the characteristics of these house losses, arrears and repossessions has indicated the following trends:

- (1) Most arrears problems result from relationship breakdown or severe loss of income (loss of employment, loss of overtime, etc.), or frequently both.
- (2) Recession over the past years, particularly in the southern part of the country, has greatly increased arrears.
- (3) The depressed state of the market meant that a much higher than usual proportion of people who had difficulty in meeting repayments eventually lost their homes by repossession. This was because people in arrears frequently could get out of the problem by selling. Even if sale of the property is possible the sale price will often not exceed the outstanding debt.
- (4) The exceptional conditions in the mortgage market in 1987, 1988 and 1989 meant that a relatively high proportion of loans made in that period were over stretching the resources of borrowers and hence were more likely to result in default.
- (5) The very high level of interest rates in 1989 and 1990 imposed a significant burden on many borrowers.

However, other commentators put more blame on the mortgage lenders themselves for careless lending of vast amounts of money to people not in a secure enough position to repay over a long term.

As mentioned above, another interesting effect of this home ownership crisis was the effect on other tenures. Many people called for an expansion of the private rented sector to meet demand from those people made homeless due to repossessions.

What do people currently think about buying a home?

Table 14: Attitudes towards home ownership¹

	1986	1991	1997
Over time its cheaper than renting	83	76	82
It is something to leave to your children	80	83	76
Buying is too risky for couples without secure jobs	59	68	65
It is a big financial burden to repair and maintain	50	57	55
It can be a risky investment	20	32	44
It makes it easier to move when you want	64	54	44
¹ Respondents aged 18 and over who agreed or strongly agreed on a five point scale ranging from strongly agree to strongly disagree.			

(Source: Social Trends, 28, (ONS: 1998).)

Whilst we saw in Table 7 that many people would prefer to own their own home, one impact of the slump in the housing market towards the end of the 1980s seems to be that households are more cautious about the benefits of home ownership. In particular, Table 14 shows that more households are concerned about the potential risks associated with owning or buying a home.

Table 15: Properties taken into possession during period (including those voluntarily surrendered)

1988	18,510
1989	15,810
1990	43,890
1991	75,540
1992	68,540
1993	58,540
1994	49,210
1995	49,410
1996	42,560
1997	32,770
1998	33,820

(Source: *Housing and Construction Statistics*.)

Table 15 demonstrates the impact of the slump in terms of repossessions. The onset of the slump in the housing market can be seen in the figures between 1990 and 1991. Since 1991 the figures have steadily fallen (but note that in spite of the boom in the housing market towards the end of the 1990s, the number of repossessions do not drop to pre-1990 levels).

Summary

1. The growth of owner occupation has been strongly promoted by government, especially by providing tax relief on mortgage interest payments.
2. Owner occupation is highest among the higher socio-economic groups and those with higher incomes. However, it now includes all sections of society, some with low incomes, and has recently grown most rapidly among skilled manual workers.
3. The “Right to Buy” and a more relaxed availability of mortgages have helped the growth of owner occupation in recent years.
4. House prices are higher in the South but so too are levels of owner occupation.
5. There are still people who are excluded from owner occupation. These include people with low incomes and groups who experience discrimination such as single women and ethnic minorities.
6. After peaking in different regions in 1989 and 1991, house prices slumped. Repossessions and mortgage arrears increased during the 1990.

D. The Private Rented Sector

1. Decline of the Private Rented Sector

Table 16 shows that the private rented sector has been in steady decline over much of the 20th Century. However, we can see from Table 17 that this decline has halted and that there has been a small increase in the size of this sector in recent years.

Table 16: The private rented sector as a percentage of total stock in England and Wales from 1914 to 1988.

1914	90%
1938	58%
1960	31%
1975	16%
1988	7%

(Source: *Housing in Britain, BSA, 1989.*)

Table 17: The private rented sector as a percentage of total stock in England, Scotland and Wales 1981-1996

	% dwellings privately rented
1981	11.3
1991	10.0
1996	10.3

(Source: Wilcox, S. (1997), *Housing Finance Review, 1997/98* (JRF: 1997).)

In 1914, there were just over 7 million dwellings in the private rented sector while after the Second World War there were just under 7 million. The biggest decline happened after 1947: by 1988 there were only just over 1.5 million properties in this sector. However, it can be seen that the last few years have seen a minor increase in the proportion of privately rented dwellings. This is perhaps due to various government initiatives aimed at encouraging the growth of this sector. These are examined in more detail at the end of this section.

Different commentators give different weight to the various factors which have brought about the decline of the private rented sector. The factors split into supply effects and demand effects.

1.1 Supply effects

(a) More attractive investment opportunities

During the 19th century property provided one of the few opportunities for investing money and being a landlord offered a very good rate of return.

However the 20th century saw a wider range of investment opportunities open up. Often these had better returns on the money without the trouble of managing property. A good example of this is the growth in the building society movement

(b) Rent control

This was first introduced during the First World War. The war forced up rents which resulted in general unrest throughout the country. After rent strikes in Glasgow, the government fixed rents at their 1914 levels. This was meant to be a temporary measure but lasted until 1923.

Rent control has been a sporadic feature of the 20th century. It appears to depend on which political party is in power. Labour governments put rent controls into place to protect tenants from high rents and poor security of tenure, and Conservative governments take them away hoping to stimulate investment in the private rented sector with the promise of better returns.

Perhaps the best known attempts at deregulating the private rented sector have been the **1957 Rent Act** and the **1988 Housing Act**. Although neither have led to any major re-investment in the private rented sector.

(c) Dis-investment

Many landlords have sold their properties and taken them out of the private rented sector. This is because attractive, one-off, profits can be made by selling into owner-occupation. The poor return available on rented property, especially as landlords are taxed on their profits, has been a major factor.

(d) Lack of building for private renting

There has been little new building for the private rented sector. For example, between 1960 and 1975 there were only 300,000 new homes built for the private rented sector compared with over 2.5 million for owner-occupation

(e) Effects of local authority policies

Many local authorities have cleared substantial amounts of the private rented sector through slum clearance. Throughout the 20th century many of the poorest dwellings, or slums, were concentrated in the private rented sector.

In addition compulsory purchase policies, especially used in the perusal of area improvement programmes such as General Improvement Areas and Housing Action Areas, have taken property out of the hands of private landlords.

1.2 Demand effects

There is only one major demand effect:

(a) Preference for other tenures

As the section on owner-occupation has shown there is a “preference” for owner-occupation in Great Britain. This is due to a number of reasons including a dislike of the private rented sector because of the poor quality of many of the dwellings, unscrupulous landlords and the idea that paying rent is not really achieving anything apart from lining the landlord’s pocket.

2. Attempts to Revive the Private Rented Sector

Let us look in more detail at the private rented sector.

There are two main groups within the private rented sector: the landlords and the tenants. It, is wrong, however, to think that either of these are homogeneous groups.

2.1 The landlords

The most common type of landlord is the small landlord who owns under ten properties: these make up approximately 55% of private landlords. A quarter of all lettings are owned by landlords with only one letting.

Rented income for these small private landlords is modest and this affects the amount of investment in terms of repairs and maintenance that they can put into their properties.

At the other extreme are the more commercial landlords who have no personal contact with their tenants. These keep property purely as an investment and although small in number can hold quite considerable numbers of dwellings.

The 1980s saw a rise in more informal renting relationships. Many owner-occupiers are now taking on ‘lodgers’ to help with mortgage repayments, and many younger owner-occupiers are ‘sharing’ their homes with friends who pay rent.

2.2 The tenants

Here is a breakdown of the private rented sector by household type. Note that it is further broken down into three sub-sectors: private renting with a job/business, unfurnished dwellings and furnished dwellings.

Table 18: Private rented sub-sectors in England, 1996, by household type

	Furnished %	Unfurnished %
1 adult, 16-59	37	20
2 adults, 16-59	25	19
Small family	12	23
Large family	3	4
Large adult household	17	9
2 adults, 1 or both over 60 years	0	9
1 adult, over 60	5	16

(Source: General Household Survey, 1996 (ONS: 1998).)

Activity 19

What does this table tell you about the private rented sector as a whole and each of its sub-divisions?

Time allocation: 20 minutes

(a) Unfurnished

The majority group in the unfurnished sub-sector is the pensioner household who make up nearly 30% of this sub-sector. There is also quite a significant number of small non-pensioner households within the unfurnished sector.

(b) Furnished

Most of the furnished sector is taken up by non-pensioner households. A further breakdown shows that over one third is inhabited by single person households.

(c) Overview

Both the unfurnished and the furnished sub-sector cater for households with children, to a limited extent.

Overall the private rented sector caters for a very diverse set of people, but each different sub-sector has quite distinct clientele.

Traditionally, the unfurnished sector has catered for more elderly groups, who have been in private renting for a long time, usually in the same property. This is a continuation of the type of renting that occurred at the beginning of this century, and is associated with poorer quality, older housing and also lower income households.

The furnished sub-sector is associated with more mobile groups, such as students and those trying to find employment. This is why there is such a concentration of adult households, particularly those consisting of only one person. It is usually only a short stay tenure and houses people of all incomes.

2.3 Differences between sub-sectors

Let us look further at the differences between these sub-sectors.

The table below shows that in 1998-1999 the private rented sector made up 10% of the housing stock.

Table 19: Composition of private rented sector

	%
Unfurnished	7
Furnished	3
Total	10

(Source: Housing and Construction Statistics, 1998/1999.)

Activity 20

The unfurnished sub-sector was clearly the most important in 1998-1999, but what do the following figures tell you?

Table 20: Percentage of households renting privately

Sub-sector	1973	1998-99	Difference
Unfurnished	11%	7%	-6%
Furnished	3%	3%	-1%

(Source: General Household Survey 1973 and Housing and Construction Statistics 1998/99.)

Time allocation: 5 minutes

As this table shows the unfurnished sub-sector is declining at a faster rate than the furnished sub-sector.

Why should this be?

As we mentioned above the furnished sub-sector caters for mobile groups such as students and those moving with work. For this reason there is a high demand for this type of renting. In addition, this is the more profitable side of renting. Landlords generally receive rent from tenants per room rather than on the property as a whole allowing them a much higher rental income. As a result they are more willing to supply this type of rented accommodation.

This trend was noticed some years ago by the OPCS *Survey into Recent Lettings 1982-1984*. This found that groups of young people, for example students, could outbid low income families in the private renting market.

The Survey of Recent Lettings found that two thirds of all recent private lettings were of furnished accommodation and that the rent for these furnished lettings was higher than unfurnished lettings.

There are also regional differences in the extent of the decline and the make-up of the private rented sub-sector. Two authors, Allen and McDowell, believe that the regional differences occur because in some areas there is a low demand for renting and in other areas there is a high demand.

These are the characteristics they outline:

(a) Low demand areas

The private rented sector is dominated by elderly households in the unfurnished sub-sector who have low rent paying capacities. The landlords in these areas are usually small, private landlords.

(b) High demand areas

The private rented sector is dominated by younger households in the furnished sub-sector. The landlords are more varied and include individuals, small public and private property companies and financial and charitable institutions.

(c) Influence of local government

A third factor they discovered in the degree of decline of this tenure in different regions was the different local government complexions: that is how much local authorities were prepared to 'interfere' in the private rented market with safeguards such as rent regulation.

Table 21: The percentage of all households that are privately renting by region in 1997/1998

	%
North East	7
North West	9
Yorkshire and Humber	10
East Midlands	8
West Midlands	6
Eastern	10
London	15
South East	10
South West	11
All	10

(Survey of English Housing 1997/1998.)

Activity 21

What does this table tell you about private renting in England?

Time allocation: 5 minutes

The most significant point is that Greater London easily has the highest proportion of private renters. This is probably a reflection of the high demand for housing of all types in this area.

3. Who Gains and Who Loses in the Private Rented Sector?

3.1 Landlords

It could be assumed that it is the landlords who are the consistent winners in this tenure but we must remember that landlords are a very diverse group and that the returns vary almost as much. The decline in the private rented sector also demonstrates that profits available for landlords in this tenure are not always large.

Activity 22

There are two fundamentally different types of investment return available in the private rented sector. These are:

- * Rental income.*
- * The ultimate ownership of a capital asset, that is the dwelling.*

Landlords will often prefer one type of return above the other. What do you think the consequences are for the tenant?

Time allocation: 5 minutes

If a landlord is seeking high return on rental income then high levels of rent will be expected.

If a landlord views renting as a means of gaining or holding capital assets the rent levels will be relatively inconsequential - and therefore presumably lower - so long as they cover the landlord's costs.

3.2 Tenants

Activity 23

Try to think of the good and the bad sides to renting.

Time allocation: 10 minutes

3.2 Tenants

These are some of the points that we came up with:

(a) *The good sides*

- Renting has relatively low entry costs, unlike owner occupation.
- It can be used as a short term tenure.
- It is supposedly accessible to anyone who can afford to pay without them having to satisfy entry criteria of local authorities or housing associations.

(b) *The bad sides*

- Rent levels and entry costs are increasing, thus preventing many on low incomes from entering the sector.
- Unscrupulous landlords do exist. This means that properties may suffer from neglect and, more worryingly, tenants may be harassed and, at the extreme, illegally evicted.

The private rented sector is notorious for bad stock condition as the table below shows.

Table 22: Poor housing in England, 1996, by tenure

	% stock which is poor housing
Private rented	31.2
Owner occupied	11.7
Local authority	16.5

(Source: English. House Condition Survey, 1996.)

In addition, some privately rented houses, particularly those in multiple occupation, do not have adequate safety standards.

The people most suited by the private rented sector are those who want its ease of access and who want short term housing - in a nutshell, mobile households who can afford to pay for it. Often these people are prepared to put up with poorer conditions because of the short term nature of their stay.

The private rented sector does not work so well for the more vulnerable groups who have generally been in this tenure all their lives or who have been forced to enter this tenure as a last resort. These groups are generally concentrated in the unfurnished sector where the property conditions are generally worse.

The low incomes of these groups means that they feel rent increases more harshly. Moreover the long term nature of many of these tenancies means the tenants are more prone to harassment or illegal eviction when landlords are either attempting to get new tenants in at a higher rent or trying to sell the property altogether.

4. Current Issues in the Private Rented Sector

The main issue in the private rented sector today is the attempt by people from all political persuasions to devise policies to revive this tenure. In these times of increasing homelessness the private rented sector is seen as one of the golden solutions. It is becoming an increasingly important tenure as local authority housing is under growing pressure and the housing associations have not yet expanded sufficiently to meet all the demand for affordable rented housing.

The most recent attempts to revive the private rented sector have been through supply side mechanisms. This means policies have tried to stimulate more people to become landlords and persuade more people to invest in the private rented sector.

There have been three major revival attempts throughout the 1980s:

- The Housing Act 1980.
- The Housing Act 1988.
- The extension of the Business Expansion Scheme to assured rental schemes.

Let us look at each of these in more detail.

4.1 The Housing Act 1980

As we mentioned before this Act attempted considerable deregulation of the private rented sector. From 1980 all 'controlled' tenancies under the 1957 Rent Act became 'regulated' tenancies which are subject to fair 'rents'. This change combined with more frequent rent reviews allowed rents to increase.

Two new types of tenancy were introduced:

(a) The shorthold tenancy

These would be for a period of between one and five years and would also be subject to fair rents. Landlords could gain possession of their properties quite easily through the courts.

(b) The assured tenancy

This tenancy was for new dwellings owned by ‘approved’ landlords. These fell outside the Rent Acts and could therefore be let at higher and completely unregulated, ‘economic rents’.

4.2 The Housing Act 1988

This attempted to get greater private sector finance and involvement in the private rented sector by introducing two new types of tenancy.

(a) The assured tenancy (1988)

Under this tenancy lets will be at ‘market rents’. The Rent Assessment Committee has limited powers to set a market rent if there is a dispute but landlords are under no obligation to abide by their decision. To gain possession the landlord has to go through the courts.

All new long term tenancies in the private rented and housing association are now assured tenancies.

(b) The assured shorthold tenancy (post-1988)

These tenancies allow the landlord to gain automatic possession at the end of a fixed term which can be as short as six months. The Rent Assessment Committee can again set market rents and once this market rent has been set it becomes the legal maximum.

Let us look at the effect of the Housing Act 1988 on the private rented sector.

Table 23: Private Letting by main types of tenancy

Type of letting	1988	1995/96
Regulated with registered rent	26%	7%
Regulated without registered rent	33%	8%
Protected shorthold & pre-1988 assured	4%	-
Assured Shorthold	-	42%
Post-1988 assured	-	17%
TOTAL	100%	100%

(Source: Wilcox, JSJ. (1997), *Housing Finance Review 1997/98* (JRF: 1997).)

Activity 24

What does this table tell you?

Time allocation: 10 minutes

As you can see the two new 1988 tenancies have together made a considerable impact on the private rented sector, now accounting for 57% of the tenure.

The private rented sector has declined dramatically during the last century. However, the size of the sector increased slightly in the 1990s. Research suggests this growth is partly due to policy changes and partly to the housing market slump of the early 1990s.

But what are the effects of the new tenancies on the actual tenants?

What does the table below tell you about the rent levels under different types of tenancy? (The protected tenancies, both registered and unregistered, came into being before 1988.)

Table 24: Average weekly rent, October 1990

Protected registered rent	£35.88
Protected unregistered rent	£44.66
Assured tenancy rent	£80.66
Assured shorthold tenancy rent	£94.90

(Source: Derived from Joseph Rowntree Trust Findings No.28, March 1991.)

The most startling difference is between the pre-1988 tenancy and the post-1988 tenancy rent levels. The average rents for assured and assured shorthold tenants are almost twice as much as for protected tenants. Interestingly, assured shorthold tenants pay the highest rent of all, which is not what the government intended. Assured shortholds have little provision for security of tenure and so it was presumed that their rents would be lower.

Reasons to explain this may be that people who only want to spend a short period in a dwelling are prepared to pay a higher rent and that landlords can easily use the threat of eviction under this type of tenancy to force people to accept higher rents.

4.3 The Business Expansion Scheme (BES)

This government scheme was extended in 1988 to cover companies in the business of private renting on assured tenancies.

It attracts investors in these rental companies by giving them very generous tax incentives of two kinds:

- (i) Investors get income tax relief on investments of up to £40,000 a year.
- (ii) Once the investor has had shares in the BES company for five years they can be sold without attracting capital gains tax.

The Joseph Rowntree Foundation found that 8,200 dwellings for rent had been provided as a result of BES in the first two years. However, since then:

- (i) BES for private rental companies was abolished in 1994 and therefore there were no longer tax incentives to attract investors.
- (ii) Many investors sold their shares once they had been kept in the company long enough to get round paying capital gains tax. This meant a significant dis-investment in the private rented sector.

Overall, 75,100 dwellings were provided as a result of BES by the end of the scheme in 1994. Further attempts to attract investment into the private rented sector through tax incentives have not proved as successful as BES.

Summary

1. The private rented sector is very diverse in terms of having the types of landlords and tenants; and each have their own problems.
2. Many of those housed in private renting are vulnerable to poor housing conditions and harassment by some landlords.
3. Although in decline, private renting is still larger than the housing association sector.
4. Private renting remains important because of the role it can play in housing the homeless, and in providing a short-term tenure for reasons of mobility or as a bridge between tenures.

E. Council Housing

1. Introduction

The image and role of council housing has changed considerably during its history. Originally council housing was out of the reach of the poorest, only providing for the 'respectable' working class who were mainly in work. It was also used to rehouse people whose homes were destroyed under slum clearance schemes and even seen at one time as the tenure for all regardless of their income or housing need.

A discussion of council housing is incomplete without looking at the current trends in its development. The role of council housing has changed yet again in the 1980s with the government laying out a new direction for it to take.

Local authorities are no longer seen as the main providers of new social housing. Instead the government wants local authorities to enable others to take on this role and indeed a growing number of councils have even transferred their entire housing stock to alternative landlords.

Other government initiatives have been introduced in recent years which have, as one of their objectives, the intention of diversifying tenure and consequently reducing local authority stock. These are:

Housing Action Trusts These were introduced in the 1988 Housing Act. The original intention was for HATs to take over, with tenants approval, run down areas of local authority housing; revitalise them; and then pass the management and ownership on to other bodies. At first there was a lukewarm response but now with a number of concessions, such as tenants being able to vote to transfer back to local authority control at the end of the trust activity, a number of housing action trusts are now active. For example, Hull Housing Action Trust and Liverpool Housing Action Trust.

Large Scale Voluntary Transfer (LSVT) The 1988 Housing Act contained the legislation for LSVT. Under this legislation, with tenant consultation and approval, local authority stock is irrevocably transferred to new owners and management. Almost all transfers have been to registered housing associations. A number of local authority housing departments have set themselves up as housing associations and have used LSVT as a beneficial mechanism in the management of their stock. By 1996/97, 54 local authorities had used LSVT to transfer a total of 245,966 dwellings.

Local Housing Companies

Since the 1996 Housing Act, stock transfers can also be made to Local Housing Companies. These are housing bodies generally established by public sector landlords, but independent of the local authority. This independence allows them greater freedom to borrow for investment in housing development and renewal and means that their borrowing falls outside of the definition of public sector debt (the PSBR - Public Sector Borrowing Requirement). They will normally be controlled by a management board with representatives of the local authority (or authorities), of tenants and of independent members). In order to maintain a sufficient degree of independence, local authority representatives will make up less than 50% of the management board.

To date (1998), most local housing companies have tended to be small scale. By mid-1998, only three authorities had gone down a similar route to LSVTs to transfer their entire stock to a local housing company. Most Local Housing Companies have been created through the support of Estate Renewal Challenge Fund. This funding allows council properties which need substantial improvement and which usually have a negative value to be transferred, with the permission of the tenants, to another organisation such as a local housing company, leveraging in private finance.

Since stock transfer began in 1988, eight per cent of council dwellings have been transferred. That is, about 300,000 dwellings out of a total council stock of about 3.6 million dwellings. Most LSVTs have tended to be in Conservative run councils, largely in rural or suburban areas in the South of England. Since the introduction of Local Housing Companies, this pattern has altered, both geographically and in terms of the involvement of Labour-run authorities, with a greater spread across the country.

However, some people have raised a number of concerns about existing transfer arrangements. One of the difficulties for stock transfer in some parts of the country, particularly the north of England, is in addressing issues such as low demand for properties, and relatively low values combined with relatively high debt. There is a concern that private lenders may be reluctant to invest in areas where housing is hard to let. In addition, there are concerns over security of tenure for tenants and rent levels.

An alternative being developed is the idea of local housing corporations or quasi-corporations. The Local Government Association has piloted feasibility studies with six local authorities to investigate the potential of this idea. This development would allow council owned companies the same freedom as LSVTs to

borrow in the private sector. An organisation would be created which had financial and managerial autonomy, but which would still be part of the local authority. It would, though, require a change in the way in which the public sector was defined by the UK government, bringing it into line with the definition used in many European countries.

New Housing Partnerships in Scotland

New Housing Partnerships have been launched which aim to develop a new approach to social housing by building up links between local authorities, tenants, local communities, housing associations and the private sector. This approach has similarities with developments in England in that the new organisations are freed from public spending constraints and can lever in private finance to carry out improvement or development projects.

2. Current Trends

As you will read in HP.104 *Determining Housing Policy*, the most significant features of council housing from 1979-1997 were the reduction in spending and the introduction and success of Right to Buy for council tenants.

You will read of the Labour Government's plans for local authority housing in the next block, HP.104.

Activity 25

Look at the next table. What do you think are the consequences of these trends?

Table 25: Sales and new building by local authorities in Great Britain (exc. New Towns)

	Sales	New building
1982	196,430	33,244
1983	138,511	32,833
1984	100,149	31,699
1985	92,230	26,115
1986	89,251	21,548
1987	103,309	18,809
1988	160,568	19,002
1989	181,367	16,452
1990	126,214	15,609
1991	73,365	9,645
1992	63,963	4,085
1993	60,335	2,045
1994	65,174	1,801
1995	49,284	1,446

(Source: Housing and Construction Statistics 1996 (HMSO: 1998).)

Time allocation: 5 minutes

The table shows that since 1981 the level of Right to Buy sales has been higher than new council house building. This obviously means there has been a reduction in the total number of council houses.

Council housing is therefore in decline. At its peak in 1979 there were 6.5 million council houses in Great Britain but by 1986 the numbers had fallen to under 5.9 million.

3. People Who Live in Council Housing

Activity 26

What does the following table show you about the changing age of council tenants?

Table 26: Proportion of each age group in council tenancies in England, 1977-1996, by age

	1977 %	1996 %
Under 25	21	25
25-29	25	19
30-44	27	16
45-59	37	14
60-64	38	21
65-69	38	22
70-79	40	27
80+	33	29
All	33	19

(Source: General Household Survey, 1996 (ONS: 1998).)

Time allocation: 5 minutes

3.1 Changes in age profile of council tenants

The most significant points are:

- the increase in people under 25;
- the decline in the proportion of households in all other age groups who live in council housing;
- that a larger proportion of elderly households tend to live in council housing.

3.2 Changes in household type

Another way to investigate the population in council housing is to look at the changes in the types of households.

Table 27: Council housing in England. 1981 and 1996, by household type

Household type	1981 %	1996 %
1 adult, 16-59	6	12
2 adults, 16-59	9	8
Small family	19	19
Large family	11	10
Large adult household	19	9
2 adults, 1 or both 60+	16	15
1 adult, 60+	20	27

(Source: General Household Survey 1996 (ONS: 1998).)

Activity 27

What does this table show you about the change in households?

Time allocation: 5 minutes

You should notice that large adult households have declined, whilst the proportion of single households has increased. The proportion of single adults between the ages of 16 and 59 increased from six per cent in 1981 to twelve percent in 1996. Single elderly households (aged 60 and over) is the largest group in council housing.

3.3 Economic status of council tenants

Let us look now at the economic activity (working or non-working) of council tenants.

Table 28: Economic activity of council tenants in England, 1981 and 1996

	1981 %	1996 %
Economically active		
Professional	0	0
Employers/managers	3	2
Intermediate non-manual	3	2
Junior non-manual	4	5
Skilled manual	27	13
Semi-skilled	16	11
Unskilled	6	4
Economically inactive	42	63

(Source: General Household Survey 1996 (ONS: 1998).)

Activity 28

What do these figures tell us about the change in economic status of council tenants?

Time allocation: 5 minutes

This table shows:

- The number of professional, managers and intermediate non-manual people has not significantly changed over this period; they continue to make up a small proportion of council tenants.
- The number of skilled manual and semi-skilled manual people has decreased.
- There has been an overall increase in the number of economically inactive people in council housing (this includes the unemployed and the elderly).

3.4 Changes in the availability of different types of dwelling

Again, the effect of Right to Buy sales explains the fall in skilled and semi-skilled people, many of whom are buying the council house they have lived in for a long time.

Another effect of current trends in council housing has been change in the nature of dwellings available to people. This table shows different dwelling types as a percentage of the total local authority stock (remember that the total stock has decreased).

Table 29: Composition of housing stock by number of rooms

Number of rooms	% of stock
One	1
Two	6
Three	21
Four	29
Five	30
Six	11
Seven	1
Eight or More	0

(Source: Survey of English Housing 1996/97 (HMSO: 1998).)

There has been a marked decrease in the number of three bedroom houses. This is because they are the most popular choice under Right to Buy. In comparison flats have only accounted for 4% of Right to Buy sales and yet make up over 30% of the total stock.

Right to Buy sales have not been consistent across the country nor even between England, Scotland and Wales. The areas with the biggest sales are those that already experience high levels of owner-occupation including the South East, South West and Greater London.

Activity 29

Given all the information you now have on the nature of council housing and who lives in it, can you summarise the key points?

Time allocation: 10 minutes

3.5 Nature of council housing and council tenants

The main points you should have included are:

- (a) Council housing is predominantly made up of those aged 65+ especially the single elderly, while the numbers of people aged 25-65 have fallen, mainly through the effects of Right to Buy.
- (b) Those more likely to buy their council homes are the middle aged or those with grown families, households with more than one wage earner, and skilled manual workers. This leaves behind the unskilled, unemployed and the retired.
- (c) The nature of the housing stock has also changed with the loss of many three bedroom houses to Right to Buy sales.
- (d) Council housing is in decline but at the same time increasingly providing for the very poorest in our society.

4. Access to Council Housing

Part VI of the Housing Act 1996 requires that, with limited exceptions, the tenancies of all an authority's housing must be allocated according to an allocation scheme established by that authority. The allocation scheme must give reasonable preference to the following categories:

- (a) people occupying insanitary or overcrowded housing or otherwise living in unsatisfactory conditions;
- (b) people occupying housing accommodation which is temporary or occupied on insecure terms;
- (c) families with dependent children;
- (d) households consisting of or including someone who is expecting a child;
- (e) households consisting of or including someone with a particular need for settled accommodation on medical or welfare grounds, and
- (f) households whose social or economic circumstances are such that they have difficulty in securing settled accommodation.

Under the Housing Act 1996 local authorities had a duty to rehouse a household that was unintentionally homeless and in priority need for two years. This legislation marked a break with the past, where homeless households could be provided with permanent tenancies. However, in July 1997, homeless households with a priority need for accommodation were also included in the list of households for which local authorities should give reasonable preference.

A further change under the Housing Act 1996 was to introduce Introductory Tenancies for new tenants. The effect of this type of tenancy is to offer limited security of tenure for 12 months. During this period, the tenancy can be ended if the council asks the Court for a Possession Order. The legislation gives local authorities greater powers to deal with tenants who breach their tenancy agreements, particularly around such issues as rent arrears and anti-social behaviour. At the end of the twelve month period, if a tenant has not broken their tenancy conditions, they can become secure tenants.

Table 30: Allocations to local authority housing in Great Britain

	1986/87 %	1990/91 %	1992/3 %	1994/95 %
Homeless	22	29	33	27
Waiting List	65	57	52	61
Other	13	14	-	12

(Source: *Social Trends*, 1997.)

Activity 30

What trends in allocations to local authority housing in England can you see in the table above?

Time allocation: 5 minutes

The trends show that up to 1992/93, an increasing proportion of allocations were made to homeless households. Since then, the proportion of allocations to homeless households has fallen back again, reflecting the fall in number of households accepted as statutory homeless by local authorities.

Summary

1. Council housing is declining because of the ending of major building programmes and the effects of Right to Buy legislation. Indeed, the concept of local authorities as providers of social housing is now being questioned.
2. Right to Buy sales of council housing have mostly involved houses rather than flats. Sales have been highest in areas where levels of owner occupation are already high.
3. Council housing is increasingly dominated by the elderly and those with very low incomes.
4. Council allocation policies decide who gets council housing. In many cases allocation to people on the housing waiting lists uses a points system expressing housing need.

F. Housing Associations

1. Introduction

Housing associations are non-profit making bodies that provide accommodation for people in need. They are often referred to as the 'third arm' in British housing providing an alternative to the public sector and owner occupation.

Housing associations mainly provide housing for rent but differ from private landlords by not making a profit; they are also different from local authorities. Volunteers and elected management boards receive no financial reward for their work and often the smallest associations employ no full time staff.

There is a great diversity in the housing association movement and many differences in aims, philosophies, functions, size and organisational structure.

Within the housing association movement you may come across a number of different types of organization. These include Abbeyfield societies for the elderly, almshouses and co-operative housing associations along with the more 'mainstream' housing associations that provide rented housing for a range of housing needs.

Housing associations may perform a variety of functions including:

- Acquiring land for building new homes or to bring existing properties back into use.
- Developing family housing or catering for people with special needs like the elderly or the disabled.
- Providing permanent homes or temporary accommodation such as hostels.

Some associations will not even have any houses in their own right but help in the development of others, for example, secondary co-ops.

Activity 31

Think of a housing association that you know. What activities does it take part in?

Time allocation: 10 minutes

2. Definitions

2.1 Legal status

The Housing Association Act 1985 defines a housing association as a:

“society, body of trustees or company A) which is established for the purpose of, or amongst whose objects or powers are included those of, providing, constructing, improving or managing, or facilitating or encouraging the construction or improvement of, housing accommodation and, B) which does not trade for profit or whose constitution or rules prohibit the issue of capital with interest or dividend exceeding such rate as may be determined by the Treasury, whether with or without distinction between share and loan capital”.

Let us look at this definition again in less detail! A housing association must be a **society**, a **body of trustees** or a **company**.

2.2 Society

This usually means an Industrial and Provident Society registered under the Industrial and Provident Societies Act 1965.

2.3 Trust

This is an organisation established by trust deed which, by its constitution, is required to use its funds for housing.

2.4 Company

A company is one that is limited by guarantee under the Companies Act 1985.

Some housing associations are also registered charities. This enables them to enjoy certain tax concessions but also restricts the activities they can undertake.

The definition also says that housing associations cannot trade for a profit. This means that any profit must be ploughed back into the organisation and not given as a premium to its members.

2.5 Key points

- (i) People who form housing associations do so out of a desire to provide decent affordable housing to the lower paid on a non-profit making basis.
- (ii) A housing association is a legal entity separate from its members and must be a society, a body of trustees or a company. A separate legal entity is able to take on a name, borrow money, purchase or rent property and employ staff.
- (iii) Most housing associations are incorporated (made a separate legal entity) under the Industrial and Provident Societies Act. This will provide a certain amount of protection for individual members against personal loss.

3. Registration with the Housing Corporation

If a housing association wishes to apply for Social Housing Grant (SHG), (money available from the government), then it must be registered with the Housing Corporation. The Housing Corporation is a government body designed to promote and regulate housing associations and administer SHG.

A housing association can register if:

- It is a charity.
- It is registered as an Industrial and Provident Society and does not trade for a profit.

The Housing Corporation is only responsible for housing association in England. Wales and Scotland both have their own agencies Tai Cymru and Scottish Homes. However in January 1999 there was a merger between Tai Cymru and the Welsh Office.

Not all housing associations apply to the government for financial support and therefore do not need to be registered with the Housing Corporation. Many will still register as Industrial and Provident Societies, however, or are charities.

Since the Housing Act 1996, the responsibility of the Housing Corporation has broadened to encompass Registered Social Landlords (RSLs). This change reflects the diversity of organisations which own and manage social housing (for example, Local Housing Companies). Technically registered housing associations are now RSLs.

4. The Organisations Involved in Housing Associations

When talking about housing associations it is important to think about other organisations involved in their development; a number of these have already been mentioned.

Activity 32

Can you think of the different bodies involved in the housing association movement?

Time allocation: 5 minutes

4.1 The Housing Corporation

The Housing Corporation was created by the government in 1964 originally to oversee the development of cost rent schemes. Now its purpose is to register, supervise and promote the work of housing associations and administer SHG.

Until 1989 the Housing Corporation was responsible for the whole of the United Kingdom. However, between 1989 and 1998 two new agencies covered Scotland and Wales: Scottish Homes and Tai Cymru. (Since 1998, devolution has brought further changes to organisations involved in housing associations, see section 4.2 and 4.3)

In England the Housing Corporation is divided into nine regions: London North West, London North East, London South, West Midlands, East Midlands, North East, Merseyside, North West, North.

The Housing Corporation has responsibility for:

- Registration of housing associations.
- Provision of loans and grants to housing associations.
- Supervision and control of housing associations.
- Guidance to housing associations.

The Housing Corporation expects housing associations to comply with its 'performance expectations' which set out how an association should carry out its activities.

The performance expectations include the following:

- Committee and association accountability.
- Management control.
- Finance.
- Race equality and equal opportunities.
- Access to housing.
- Housing management service.
- Maintenance.
- Development.

4.2 National Assembly for Wales

Prior to devolution, Tai Cymru or Housing for Wales played a similar role to the Housing Corporation in England. In 1998 a new Housing Department was established when Tai Cymru transferred its powers to the Welsh office. Subsequently, the responsibilities of the Housing Department have been split up. A new Local Government Group deals with local government finance, as well as housing association regulation and performance audit. The Social Services and Communities Group covers all housing capital spending, housing policy and research and social inclusion.

4.3 Scottish Homes

Scottish Homes was also created under the 1988 Housing Act which brought together the Scottish Special Housing Association (SSHA) and the Housing Corporation in Scotland.

It is different from both the Housing Corporation and Tai Cymru because Scottish Homes has inherited 70,000 homes from the SSHA, mainly in the form of small community-based housing associations.

4.4 National Housing Federation

An independent body designed to represent the housing association movement was set up in 1935 called the National Federation of Housing Associations. An important contribution of the NFHA was to introduce a continuous monitoring system called CORE which provides information on the circumstances of all new housing association tenants. The Housing Corporation adopted this system and all housing associations are required to subscribe to it. The NFHA has now become the National Housing Federation to reflect the greater diversity of social landlords.

4.5 Federation of Black Housing Organisation

The Federation of Black Housing Organisations (FBHO) is a charity that brings together black housing associations and other groups interested in race and housing.

It is a campaigning body representing the needs of the black community as well as providing information, advice and training for individuals and organisations.

The FBHO also plays an important part in the development of Positive Action Training Schemes (PATH) helping more black people into management positions within housing organisations.

5. Characteristics of Housing Associations

Activity 33

What do the figures in the following two tables show you about the nature of housing associations?

Table 31: Housing associations registered with the Housing Corporation in 1991 by category

General needs	845
Abbeyfields	353
Other hostels	111
Almshouses	566
Co-operatives	265
Co-ownership	111
Sale/leasehold	75
	<hr/>
	2,236

5.1 Type of households

The types of households in housing association property are similar to those in local authority accommodation. There are, however, more single females in housing association property which is explained by the fact that housing association tenants are predominantly elderly.

29.4% of housing association households are differently sexed cohabitees; lower than the comparable proportion for local authorities but still one of the largest groups. The table on age suggests that these could either be elderly couples or younger couples between 25 and 40.

Activity 34

Study the table below. How do housing associations and local authorities differ in terms of the type of accommodation they offer?

Table 32: Type of accommodation in England, 1996

Type	Housing association %	Local authority %
Detached	1	1
Semi-detached	18	28
Terraced	31	31
Purpose built flat	41	38
Converted flat	10	2

(Source: General Household Survey, 1996 (ONS: 1998).)

Time allocation: 5 minutes

5.2 Type of accommodation

This table shows that there are differences in the type of accommodation offered by housing associations and local authorities. Housing associations own fewer semi-detached houses but more purpose built flats and converted flats. This reflects both rehabilitation and new build undertaken by housing associations.

Were you surprised at the number of housing association purpose built flats? Many of these purpose built flats will be for the elderly or other special needs groups.

The government has looked upon housing associations as the main providers of social housing. Look at the next table, do you think their share of the total housing stock reflects this?

Table 33: Provision of housing in England, 1996, by tenure

Tenure	%
Owner occupation	67
Rented from local authorities	19
Rented from housing associations	5
Private rented unfurnished	7
Private rented furnished	3

(Source: General Household Survey, 1996 (ONS: 1998).)

Housing associations only account for 3% of the total tenure in this country, less than the unfurnished private rented sector.

5.3 Proportion of total housing completion

However, it is their share of the total new social housing that counts. The next table shows how this is increasing.

Table 34: Housing association completions as percentage of total social sector new completions

Year	Percentage of total social sector new provision %
1986/87	47
1987/88	48
1988/89	37
1989/90	50
1990/91	50
1991	65
1992	86
1993	93
1994	95
1995	97

(Source: Housing Corporation annual reports, Housing and Construction Statistics.)

The table clearly shows that housing associations are accounting for an increasing percentage of total social housing new completions. The main reason for this is not any great increase in output by housing associations but a drastic reduction in the ability of local authorities to build new housing and the desire by the government to see local authorities lose their landlord role through initiatives such as Right to Buy, Tenant's Choice and Voluntary Transfer.

Activity 35

What do you think the consequences are of the relatively small percentage of housing associations in the tenure system and yet their increasing share of new social housing completions?

Time allocation: 5 minutes

Due to their relatively small size, housing associations cannot be expected to make up for the short fall in local authority provision and therefore it is likely that there will be a reduction in the total amount of social housing.

Shared Ownership

An alternative for households on low incomes is through Shared Ownership. Properties are made available on the basis of part rent, part sale. This scheme allows households to buy a proportion of their home, without having.

Shared Ownership has become a significant element of the development programme of housing associations. During the early 1990s shared ownership rose from six per cent of the total development programme in 1990/91 to an estimated 22 per cent in 1996/97.

The Housing Corporation recommends that shared ownership should be targeted upon tenants, people with disabilities, and people nominated from the LA waiting list/common housing registers who are considered to be in priority need, cannot afford satisfactory open market accommodation (owner occupied or private rented) within a reasonable travel to work area, and would otherwise have a direct nomination into social rented stock.

Shared ownership has proved to be particularly popular in areas of the country such as the South West of England, where a combination of low average wages and relatively high house prices combine to make owner occupation difficult for people on low incomes without low cost home ownership options to help provide a 'bridge'.

A very similar scheme is Do It Yourself Shared Ownership (DIYSO). With this scheme, social housing tenants identify properties they wish to purchase and are assisted on a part rent, part buy basis.

This type of scheme can be very useful in rural areas because it allows households to live in specific villages where the choice of social housing units may be very limited or may not exist at all. A further benefit is that households taking advantage of DIYSO also free up relets in the social housing sector which can be allocated to other households in need.

6. The Financial Framework

In order to understand more about how housing associations affect different groups of people it is necessary to examine briefly the financial framework within which housing associations work.

6.1 Housing Association Grant (HAG)

Prior to Social Housing Grant, which was introduced in the 1996 Housing Act, the main source of funding for housing associations registered with the Housing Corporation was Housing Association Grant (HAG).

HAG was first introduced in 1974 and its basic principles remained largely unaltered until the 1988 Housing Act.

Prior to the change under the 1988 Act, HAG reduced the cost of a loan necessary to fund a project to a point where the loan could be met through rental income. All housing association tenants had secure tenancies which meant their rent levels were set by an independent rent officer. The level of HAG was therefore dependent on the amount of rent set after the project had been completed. Usually the level of HAG was about 90% of the total project cost.

The old system:

$$\text{TOTAL COST} - \text{RENT} = \text{HAG}$$

The 1988 Housing Act introduced a new financial framework for housing associations.

Under the post-1988 regime, HAG was still available, but it was fixed in advance to reflect the type of project undertaken and where it was located. The levels of the fixed HAG were set much lower than the old system and by 1997/98 had fallen to a national grant rate of 52 per cent of total project costs. As a result housing associations have had to find an increasing proportion of their capital costs out of rental income

Like the private rented sector, new housing association tenancies have been deregulated. This means they are no longer set by the rent office but by the housing association itself.

The new system:

$$\text{TOTAL COST} - \text{HAG} = \text{RENT}$$

The government's main aims in introducing this new financial framework were to:

- Increase the number of houses that could be provided with the same amount of government money by mixing public money with private finance. This is achieved by reducing grant levels for individual schemes.

- Make housing associations more efficient by making them shoulder more of the risk involved in development. This is achieved by fixing the levels of HAG before a development begins.

Activity 36

What do you think are the consequences of the new financial system?

Time allocation: 10 minutes

5.2 Effects of the new financial system

The main consequences are:

- (a) Assured rents are higher than the old secure rents in order to meet the shortfall in grant levels. The higher rents will affect people on low incomes who may be forced out of this sector unless they are in receipt of full housing benefit. This is the conflict between the need for higher rents to pay off loans and the primary aim of providing homes for the people in the greatest housing need.

The move to assured tenancies has also led to a widening of regional differences in rent levels. These reflect the differences in development costs around the regions especially in land prices.

In an attempt to alleviate this problem of rising rent levels, the grant rate for 1998/99 has been set at a national average of 54 per cent, which is a higher proportion of project costs than had been the case in previous years.

- (b) Fixed HAG has led many associations away from rehabilitation of older properties. This is because rehabilitation has many hidden costs while new build does not and under the new system housing associations are responsible for any overspend.
- (c) The need to use more private finance means housing associations are having to be more commercially minded. Bigger associations with large asset bases are able to attract private finance but smaller associations will find it very difficult (remember the majority of housing associations are small).

There is a fear that this will lead to housing associations having to merge in order to acquire adequate asset bases. If this happens they will be moving away from the traditional image of small associations serving specific local communities.

- (d) One of the implications of this increase in rents has been a higher housing benefit bill which has had to be met through public expenditure. The high rents and greater reliance on housing benefit for tenants on low incomes also presents individuals with difficulties in relation to disincentives to work, and is an obstacle to the current central administration's policies on welfare to work.

7. Access to Housing Associations

There are always more potential housing association tenants than available properties. Like local authorities, therefore, housing associations need to have selection and allocation policies in order to ensure they house the people they believe to be in the greatest need.

Unlike local authorities housing associations have no legal obligation to house certain groups of people but they must be clear about the type of need they aim to meet. For example, a housing association may concentrate on meeting the needs of single people or the elderly. Whichever group or groups they choose they must still follow legislation relating to race or gender, i.e. the **Race Relations Act 1975** and the **Sex Discrimination Act 1975**.

In return for land deals or assistance in new developments, some housing associations will give certain nomination rights to local authorities. This means a local authority will put forward a person from its own waiting list for a housing association property.

Table 35: Source of referrals to housing associations

Local authority nominations	35%
Direct applications	36%
Referred by other organisations	4%
Transfer	18%
Exchanges Mobility schemes/Other	7%

(Source: *Regional Trends 1993* (HMSO: 1993).)

This table shows the majority of tenants approached housing associations directly but also reveals the importance of local authority nominations.

Summary

1. **Housing associations are non-profit housing bodies. In England most are registered with a central government body - the Housing Corporation - which provides financial support. In Wales and Scotland the equivalent bodies are Tai Cymru and Scottish Homes.**
2. **Most associations are small, only a few have more than 10,000 dwellings.**
3. **Compared to council housing, housing associations have more elderly tenants and more flats rather than houses in their stock.**
4. **Although housing associations still provide only 5% of the national housing stock, they now provide the majority of new social housing development - but largely as a result of the decline in council building.**
5. **The main form of financial aid to housing associations is Housing Association Grant (HAG), which subsidises the production cost of new development. This system was revised in the 1988 Housing Act, which in general has resulted in lower subsidies and higher rents.**

G. Non-Tenured Accommodation

1. Introduction

There are four major tenures in Britain but these do not cover all British housing.

There is another sector in Britain which is the bridge between actual “rooflessness” (i.e. having no tenure) and being within the four tenures. This is known as non-tenured accommodation.

Activity 37

Non-tenured accommodation covers a wide range of groups. List below the types of non-tenured accommodation you can think of.

Time allocation: 5 minutes

1.1 Categories of non-tenured accommodation

These include:

- Temporary accommodation, i.e. the use of bed and breakfast hostels.
- Sharing with relatives and friends.
- Squatting.
- Travelling.

1.2 People living in non-tenured accommodation

A Joseph Rowntree Trust survey found that:

“During 1989 and 1990, about 200,000 families in England and Wales passed through one or more types of temporary accommodation before being permanently rehoused. If recent trends continue at least another half million homeless families are likely to have lived in temporary accommodation by 1995.” (Joseph Rowntree Research Findings number 50.)

These figures do not give the whole story as for many people non-tenured accommodation is not simply temporary accommodation. Moreover many people in non-tenured accommodation do not come to the notice of officials and therefore are never shown in official statistics.

Some people choose to enter non-tenured accommodation yet others are forced to. Let us look at the second group first.

2. People Who Become Homeless

Many of those who enter non-tenured accommodation do so because they are homeless and there is no alternative at that time.

Activity 38

There has been much research into the reasons people become homeless. Here is one of the many survey results. What does it tell you?

Table 36: Reasons for homelessness

	1987 %	1991 %	1996 %
Parents, relatives or friends no longer willing or able to accommodate	41	42	29
Breakdown of relationship with partner	18	16	24
Loss of private rented dwelling, including tied accommodation	15	14	22
Mortgage arrears	9	12	7
Rent arrears	4	3	2
Other	13	14	17

(Source: Wilcox, S. (1997), Housing Finance Review, 1997/98 (JRF: 1997).)

Time allocation: 10 minutes

2.1 Causes of homelessness

The table shows that the main reason for homelessness is the inability of friends or parents to accommodate. Note that this reason has declined in importance since 1991. Relationship breakdown is also important along with the loss of private rented dwelling or tied accommodation (although 'relationship breakdown' rather euphemistically masks the extent to which domestic violence is a significant reason for homelessness). Both these reasons have increased in importance since 1991.

The proportion of people made homeless because of mortgage arrears rose in the early 1990s and then fell back again. This seems to have followed the trend with the boom, slump and subsequent recovery of the housing market through the late 1980s and early 1990s. Not surprisingly, more people suffered this form of homelessness at the time of the slump in the housing market in 1991, whilst the situation had improved by 1996.

3. Temporary Accommodation

3.1 Regional breakdown of temporary accommodation

It is difficult to get figures on the spread of non-tenured accommodation. However, there are quite extensive figures on the number of households in temporary accommodation throughout the United Kingdom.

Table 37: Number of households in Temporary Accommodation, 1991 and 1996

	1991	1996
London	37,130	24,100
South East	7,890	6,550
South West	2,630	2,380
Eastern	3,940	2,840
East Midlands	1,810	1,450
West Midlands	2,120	1,030
Yorks & Humber	1,620	1,050
North East	430	430
North West	2,100	1,630
Merseyside	260	340
England	59,930	41,800

(Source: Wilcox, S. (1997), *Housing Finance Review, 1997/98* (JRF: 1997).)

Activity 39

What can this table tell you about temporary accommodation throughout the United Kingdom?

Time allocation: 10 minutes

The problem is massively concentrated in Greater London. However, although in numerical terms the problem of temporary accommodation grew smaller between 1991-96, it remains a source of great concern.

Greater London and South East England are amongst the areas where numbers decreased most.

The northern areas are quite interesting in this context. The North East experienced no change between 1991-96, yet has one of the smallest numbers of households in temporary accommodation. Merseyside is the only area to show a slight increase.

How does the situation in England compare to that of Wales and Scotland? Considering the area that Wales and Scotland cover, the problem of temporary accommodation is not that great in either.

3.2 Why does temporary accommodation matter?

There are three main reasons why the use of temporary accommodation should cause concern.

- (i) It demonstrates the failure of other tenures in the United Kingdom to house people.
- (ii) The conditions in temporary accommodation are generally appalling.
- (iii) It costs a lot of money to keep people in temporary accommodation.

Let us look at each of these in turn.

Activity 40

From the information contained in this and the earlier sections, think of ways in which the other tenures fail people.

Time allocation: 15 minutes

(a) Failings of other tenures

Many people cannot gain access to the traditional tenures in the first place.

For owner occupiers and private renters the barriers are usually **financial**, although **prejudice** on the grounds of race and gender on the part of mortgage lenders and landlords also brings constraints.

Housing associations and local authority housing have allocation barriers. The person or household may not satisfy the entrance criteria and, even if they do, there is the barrier of the waiting list to overcome.

Even if a local authority accepts someone as priority homeless and therefore has a duty to rehouse them the simple fact that there are not enough empty dwellings may mean that the person/household has to endure a period in temporary accommodation.

Others, once they gain access to housing, discover that they cannot sustain their position. This can be seen by the growing numbers of arrears and repossessions amongst home owners which has been explained in an earlier section.

However, losing one's home is not restricted to owner-occupation: eviction can occur in each of the rented tenures for breach of tenancy agreement, from rent arrears in particular.

This demonstrates again that the main reason for failure in the four main tenures is financial.

(b) Conditions in temporary accommodation

Let us turn now to look at the conditions in temporary accommodation. The following description is of a bed and breakfast hotel in London.

This is a family's description of a bed and breakfast hotel they were put in by Haringey Council.

"The rooms were very small and dirty and the carpets were full of fleas. Some of the other women living there would give the management cockroaches and other insects they found in their rooms; these women had small children, but the hotel owners did nothing. Most people living there had diarrhoea because it was so dirty....

For the first few months the kitchens were out of order; when they were eventually repaired there were only two for one hundred people and they were generally locked.

The police came twice a week at least because people were under such stress in that environment, they all got upset with each other."

(Source: Roof - July/August, 1989.)

Although the condition of all temporary accommodation is not as bad as this, terrible conditions and unscrupulous landlords are notorious in this sub sector.

(c) The cost of temporary accommodation

The cost of putting people in temporary accommodation, such as bed and breakfast hotels, is prohibitive. This has two main effects. Firstly it deters people from working. Many local authorities will expect people to pay some of the cost for staying in bed and breakfast and once someone is out of the housing benefit threshold they will have a massive rent bill each week. Secondly it costs the government in housing benefit - or more precisely board and lodging benefit - therefore increasing the amount of public expenditure on housing.

3.3 Alternative methods of providing temporary accommodation

The terrible conditions and the high costs have led many local authorities to explore different ways of temporarily housing people.

These have included:

Increased use of their own hotels.

- Reliance on newer forms of temporary accommodation such as private leasing. Councils lease properties from private landlords (the regulations state that the leases can only be for a maximum of three years) and use the accommodation acquired for temporary housing.
- Some local authorities have used mobile homes for temporary accommodation.
- Using “Homeless at Home” provisions whereby a household retains its status as being homeless and therefore, if accepted, is owed a duty to be rehoused, but for the meantime can remain at a friend’s or relative’s home.

4. Gypsies

Gypsies have been defined legally as,

“persons who wander or travel for the purpose of making or seeking their livelihood, and do not include persons who move from place to place without any connection between their movement and their means of livelihood.”

A twice yearly caravan count is carried by the ODPM. In January 1998, there were 13,064 Gypsy caravans counted, (of which 2,584 were on unauthorised sites). Unlike Gypsy caravans, estimates on numbers of New Traveller vehicles are more difficult to make and range from between 1,500 to 5,000. (DETR (1998) *Managing Unauthorised Camping: A Good Practice Guide*, London: DETR).

The 1990s saw a number of changes to the law in relation to Gypsies. The **Criminal Justice and Public Order Act 1994**, repealed an earlier responsibility placed upon local authorities to provide sites for Gypsies and ended Treasury grant aid to provide sites. In addition, the 1994 Act strengthened powers to remove unauthorised encampments, (although subsequent codes of guidance issued by the DOE softened the harsher aspects of this Act).

Instead, local authorities are to meet the accommodation needs of Gypsies through the use of appropriate location and/or criteria based policies in Development Plans and to make a quantitative assessment of the amount of accommodation required (Wilson, M. (1998) *A Directory of planning policies for Gypsy site provision in England*, Bristol: The Policy Press).

5. Squatting

Apart from temporary accommodation there are greyer and less well documented areas of non-tenure accommodation which possess a higher profile than perhaps the actual numbers involved merit.

The first of these we shall consider is squatting. There is perhaps one main division in this sub-sector, that is between those who are forced to squat because there is no other form of accommodation available, and those who choose to squat.

5.1 People who are forced to squat

The area where people are most often forced to squat is London. Certain London boroughs are having great problems with households squatting in properties on their council estates.

The *Advisory Service for Squatters* estimates that a third of squatters are families whom the local authority owes a duty to rehouse but who are considered to have made themselves 'intentionally homeless' and are therefore outside the legal duty of the local authority.

5.2 People who choose to squat

The other side of the coin is those people who refuse to be housed in the mainstream tenures for a variety of reasons. These range from political convictions, usually along anarchist lines, to simply a refusal to pay rent on properties.

6. Travellers

Non-tenured groups also include transient people and households. These range from people like gypsies whose traditional lifestyle is mobile, to itinerant workers and new age travellers.

This latter group are gaining increasing attention in the media and government circles. This usually unsympathetic attention has brought certain issues to light, particularly the duty of local authorities to provide sites for these travellers to settle on, as the only travelling community the Department of the Environment recognises is gypsies

Summary

1. The growth in the number of homeless has led to an increase in the number of people in temporary accommodation, and other forms of 'non-tenure' accommodation such as squatting.
2. Often these forms of housing provide very poor living conditions.
3. This indicates the failure of the four major tenures in Britain to provide accessible and affordable housing for all.