An Introduction to Social Housing

This is an introductory guide to social housing and the role of housing providers in England and Scotland (where Riverside has stock). It focuses on the following key areas:

- The origins of social housing, the purpose and aims of social landlords
- An overview of the people housed by social landlords
- Regulatory framework for social landlords
- Recent changes and the impact on functions of social housing

The origins of social housing, the purpose and aims of social landlords

The early days

Social housing was originally a philanthropic response to poor health conditions in many communities at the turn of the century. The level of social concern for health and housing at this time encouraged government to ensure that there were minimum standards of sanitation inside and outside dwellings and to provide some level of accommodation for the most destitute in society. This was also the start of the housing association movement and early examples include Alms Houses and charitable bodies such as Peabody and Guinness Trust.

After 1918, the development of council housing began. This was backed by central government subsidies. They worked by the government part-funding the cost of loan repayments which local councils used to build new houses.

The post-war election in 1945 of a Labour government led to a new commitment to an extensive plan of housing construction. The 1950s and 1960s proved a watershed as the problems of overcrowding and poor amenities were largely solved by the construction of massive housing estates and high rise buildings. The role of housing associations did not increase at this time as the focus was still very much on council properties.

The modern history of housing associations dates back more significantly to the introduction and awarding of public funding in 1974 to allow them to build low cost housing for rent. At this time there was multi-party support to expand a sector that until then, had played a small role in housing provision. It was not envisaged that they would eventually displace local authorities as the main landlords, rather they were seen as part of a policy shift from slum clearance to urban renewal.

Housing associations were historically well placed to take advantage of political disenchantment with both private landlords and council housing and as a result began a history of building affordable housing. Associations also took on many specialist housing areas such as housing for older people and other vulnerable groups and the introduction of public funding also led to the formation of many new associations, as well as the transformation and expansion of existing ones.

1988 to present day

The 1988 Housing Act created a new funding regime that treated associations as non-public bodies with the ability to source private capital and the housing association sector moved into a more mainstream housing position and a channel for private investment. Private borrowing became the biggest source of income for the development of new and existing homes. This led to a growth and geographical expansion of larger associations across local authority areas as competition grew. The then Conservative government's push on stock transfer from local authorities created a bigger role for housing associations although the introduction of right to buy for council and stock transfer properties reduced overall supply of affordable rented housing.
1997 to today has seen the most rapid growth of the sector, mainly as a result of acceleration in
the pace of stock transfer. The incoming Labour Government continued the move from local
authorities to housing associations as the biggest landlords. A new system for procuring social
and affordable housing was introduced known as Investment Partnering. This aimed to
concentrate public subsidy on a small number of ‘the best performing associations’. The first
programme of this in 2004/6, focused 80% of new funding to just 70 ‘lead partner’ associations.
This created incentives for other associations to join consortia or to merge with associations
selected as lead partners.

The 2004 Housing Act made provision for public funding of private house-builders, and they were
invited to bid alongside housing associations for the 2006/8 programme. The scale of larger
associations increased further in this period through mergers and the formation of group structures
consisting of a parent body and several controlled subsidiaries.

The Housing and Regeneration Act 2008 marked a historic moment in the history of social housing
provision. It carved out an entirely new regulatory and funding landscape, with a number of key
features. Two brand new statutory agencies, the Tenant Services Authority (TSA) and the Homes
and Communities Agency (HCA) were created, the TSA to regulate English social housing
providers and the HCA to take on the funding function of the Housing Corporation, as well as the
remit of English Partnerships and some functions of the Communities and Local Government
department. The TSA was abolished when the HCA took over responsibility for the regulation of
social housing from 1 April 2012.

The Welfare Reform Act 2012, implemented by the Coalition Government, received Royal Assent
on 8 March 2012. The Act put into law the biggest overhaul of the benefits system since the
1940s, introducing a new benefit - Universal Credit, and giving the Government the power to
introduce new size criteria (also known as ‘under-occupation penalty’ or ‘Bedroom Tax’) for
housing benefit claims in the social rented sector, and the power to cap the total amount of benefit
to which all households are entitled.

Following an announcement made in the 2015 Queen’s Speech that “legislation will be introduced
to support home ownership and give housing association tenants the chance to own their own
home”, the Housing and Planning Act achieved Royal Assent in 2016. It contained provisions on
new homes (including starter homes), landlords and property agents, abandoned premises, social
housing (including extending the Right to Buy to housing association tenants; sale of local
authority assets; ‘pay-to-stay’; secure tenancies), planning, compulsory purchase, and public land
duty to dispose). Another key piece of government legislation affecting the housing sector, the
Welfare Reform and Work Act 2016, received Royal Assent in 2016, implemented by our current
Conservative Government. The Act includes many of the changes announced in the 2015
Summer Budget. Implications for our sector included a 1% yearly reduction in social housing rents
for 4 years, and lowering of the overall benefit cap.

Faced with a raft of legislative changes and an uncertain political and economic landscape, it is
clear that housing associations are facing challenging times and an unprecedented level of
change. They have to find a way to maintain and deliver more affordable homes in the midst of
major upheavals including annual social housing rent reductions, cuts to grant funding, welfare
reform, rising homelessness, the extension of the Right to Buy, changes to funding for supported
housing, and the upcoming introduction of a new regulator.

Scottish Parliament
The nature of housing provision in Scotland changed substantially with the establishment of the
Scottish Parliament, namely through the Housing (Scotland) Act 2001, which authorised:

— A new tenancy regime for social rented housing.
— The regulation and inspection regime for local authority housing and association services.
— New local authority strategic housing functions, including local housing strategies.
— The abolition of Scottish Homes and introduction of Communities Scotland.
— Strengthened the rights to tenants, including their rights to be consulted.

The Act also clarified the role of local authorities and other landlords in responding to issues such as homelessness, fuel poverty, and anti-social behaviour. Communities Scotland was formed in 2001 as the Executive’s housing and regeneration delivery agency.

In Scotland, ‘Communities Scotland’ was disbanded on 1 April 2008 as a separate agency and its main non-regulatory functions were brought into the Housing and Regeneration directorate of the Scottish Government. Its regulatory functions were reformed to operate outside the Government and independently of Ministers. A new Scottish Housing Regulator was formed to take over the work of ‘Communities Scotland’s Regulation and Inspection division. Their aim is to ‘protect the interests of tenants, homeless people and others who use social landlords' services’.

Their focus is on driving improvements in services; maintaining and improving housing associations’ governance; and financial health in housing associations and cost and efficiency in all social landlords.

The Housing (Scotland) Act 2014 contained provisions to abolish the Right to Buy for tenants of social landlords. It also contained provisions that were intended to provide better outcomes for communities by increasing the flexibility that landlords have when allocating housing, allowing landlords to make best use of social housing, giving landlords further measures to tackle antisocial behaviour, providing further protection for tenants, particularly tenants with short Scottish secured tenancies, by strengthening their rights in a number of ways and clarifying existing legislation on how short Scottish Secure Tenancies operate.

An overview of the people housed by social landlords

Housing associations have a history rooted in supporting the lowest paid, most vulnerable in society but also provide a function in sustaining communities and providing innovation. Though they often have individual visions, they are united in their goal to provide affordable homes to those who are unable to access home ownership through normal routes and many have charitable status.

They provide homes for people on low to moderate incomes in affordable homes to rent or for sale under low-cost home ownership. They also house people who need specialist accommodation or support. They often work closely with local authorities to meet local housing needs, including those of homeless people needing temporary accommodation and permanent re-housing.

It is vital that social landlords understand the needs of their existing and potential customers - who they are, what they need, and how services can best be delivered. Following recent changes within the housing sector, many housing organisations are looking at new ways to adapt for a growing, more diverse customer base.

Regulatory framework for social housing

Housing associations in England are regulated by a special committee of the Homes and Communities Agency (HCA). The objectives of the social housing regulator are set out in the Housing and Regeneration Act 2008. In summary, they see their role as regulating registered providers of social housing in England to:

— protect social housing assets
— ensure providers are financially viable and properly governed
— maintain confidence of lenders to invest into the sector
— encourage and support supply of social housing
— ensure tenants are protected and have opportunities to be involved in the management of their housing
— ensure value for money in service delivery
They aim to take a co-regulatory approach meaning boards and councillors who govern associations’ service delivery are responsible for ensuring their organisation is meeting the required standards, and for being open and accountable in how their organisation meets its objectives. Co-regulation also requires providers to support tenants in the shaping and scrutinising of service delivery and in holding boards and councillors to account.

They regulate three standards classified as ‘economic’. These are:

- the Governance and Financial Viability Standard
- the Value for Money Standard
- the Rent Standard

There are four further standards classified as ‘consumer’ in which they take a more responsive role, limited to intervening where failure to meet the standards has caused or could have caused serious harm to tenants. These are:

- the Tenant Involvement and Empowerment Standard
- the Home Standard
- the Tenancy Standard
- the Neighbourhood and Community Standard

The Government now plans to create a new social housing regulator, separate from the Homes and Communities Agency. A government spokesperson has said this will be an “administrative” change that will not affect the regulator’s powers or operations. The government has published a review which concluded the HCA should continue to support housebuilding and increase the supply of land for housing, and the regulator should function separately. Gavin Barwell, Housing Minister, said in November 2016: “We are determined to create a housing market that works for everyone and the Homes and Communities Agency and regulator will play an important role in delivering the homes this country needs.”

Recent changes and the impact on functions of social housing

The provision of social housing remains the core function for most housing associations. However over the years there has also been encouragement to include other activities to enhance the lives of those in the areas where they provide housing. This has resulted in initiatives to support the wider well-being, employment and training needs of their residents to help create more sustainable communities. Many larger housing associations also diversified into building homes for market sales and rent to cross subsidise the provision of affordable housing and create more diverse communities.

As the public funding environment has become reduced and other funding sources more competitive, expensive high staff and specialist housing areas have led to a number of general needs housing associations moving their care activities into special purpose organisations or withdrawing from the field altogether.

Whilst the sector recognises it will need to reduce costs and drive efficiency, it is important to remember that housing associations do not distribute surpluses to shareholders but re-invest in providing affordable homes, supporting the most vulnerable and helping residents develop new skills, find work and create more sustainable communities. According to the HCA’s global accounts, Housing Associations re-invested over 81% of their reserves in building and improving new affordable homes over the last 3 years.

At a time when it is estimated that at least 250,000 new homes are needed each year, they are well placed to be the main providers of affordable housing, while supporting their existing residents to meet their aspirations.

A range of external factors, including the global financial crisis and Conservative cuts to the welfare system have impacted heavily on housing associations and they are having to re-examine how they can continue to provide the services they do. They may need to borrow more from investors at a time when the banks are less likely to lend and repaying that debt means making
surpluses and driving efficiency through the business which could impact on the many diverse areas of work they are involved in to create more than just general needs affordable housing.

**Future Changes**

The Conservative Government has already unveiled a raft of changes through the Welfare Reform and Work Bill, Housing and Planning Bill and the Spending Review which have impacted heavily on the provision of homes for low income households in Britain as well on the tenant’s ability to afford them.

This includes an extension of right to buy, a benefit cap, a rent reduction for housing association tenants and the potential removal of the housing element of Universal Credit for 18-21 year olds. Whilst the proposal to reduce rents and extension of right to buy is clearly good news for tenants, housing associations will need to adjust quickly to a reduction in income for the next four years to ensure they are still able to provide the best possible services.

A further concern for housing associations is the possible impact on supported housing. Financial changes threaten the viability of many supported housing schemes, and the overall finances of smaller specialist providers who deal exclusively with this type of provision. Their reliance on higher income to provide specialist services needed to ensure the best possible support, could face real challenges.

In the Autumn Spending Review 2015, the Chancellor also announced that Local Housing Allowance (LHA) rates would now apply to housing association properties, meaning that there would be a cap on how much housing benefit would pay towards the rent of a property. The impact of this on supported housing could prove incredibly challenging as rents and service charges are often high due to the nature of the extra support they provide. For those under 35 years this will be particularly difficult as the cap applies to a lower shared accommodation rate and, though a proportion of younger people will be in supported housing, there will be many in general needs too. There may also be an impact in areas with lower value properties if the general needs rent is above LHA levels for that area.

However notwithstanding the challenges the sector faces at this time, it continues to ensure that overcoming housing need and helping tenants and residents meet their aspirations is at the heart of everything it does.

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