

Social Housing in London

Background paper for Seminar on The Future of Social Housing in London February 19th 2010

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Before 1945

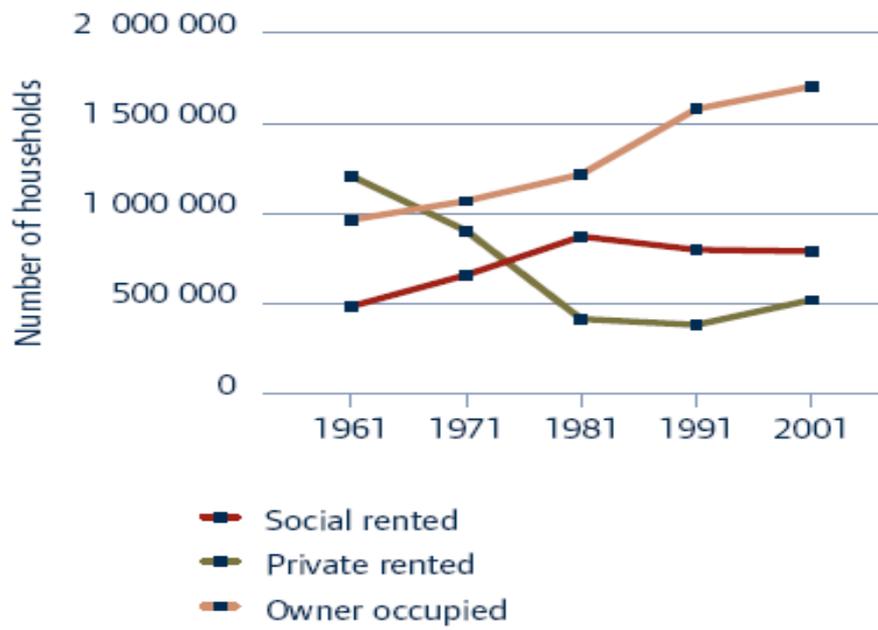
In 1890, the Housing for the Working Classes Act was passed including powers for local authorities to provide lodging houses for labouring classes. Under this Act 10,000 units were provided before 1914, without government subsidy. Between the wars, generous subsidies were made to local authorities to provide housing. Under these, London County Council, for example, provided 75,000 homes, not all of which were in London.

Post war growth

By 1961, social rented housing still only accounted for some 500,000 of the 2.7 million homes in London – less than 20% of the stock. The vast majority of poorer households lived in the private rented sector. By 1981 this proportion had risen to 37% – far higher than anywhere else in the South of England – indeed only Yorkshire and Humberside had a higher proportion, at 42%. This growth was the outcome of a very large scale building programme by local authorities and (to a much lesser extent) housing associations – with local authority construction accounting for roughly two thirds of total output levels in London during the period. But the shifting proportion was also an outcome of the rapid decline of the private rented sector through slum clearance and its replacement by social housing.

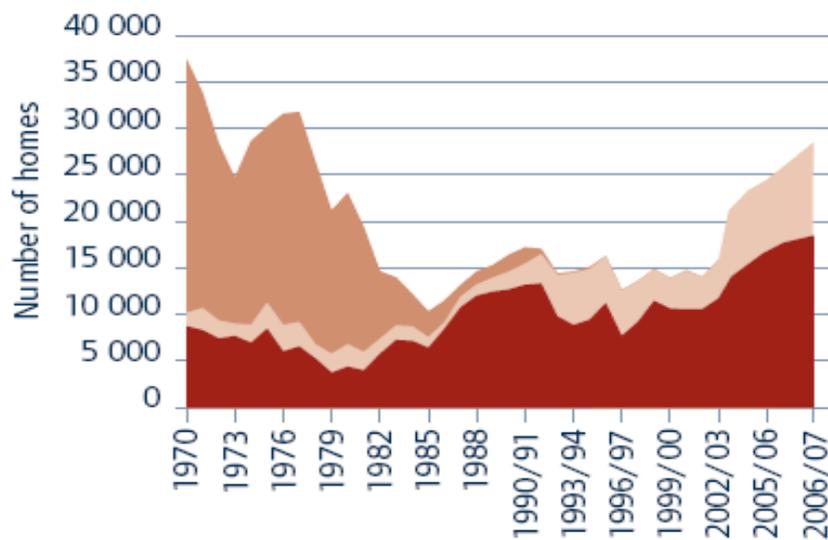
After 1981 the local authority building programme was rapidly reduced and only very partially replaced by housing association output. Large numbers of units were also transferred into owner-occupation through the Right to Buy. As a result, by 2007 social housing accounted for only 23% (14% local authority; 9% housing association) of the total London housing stock of 3.22 million units. Even so this proportion is second only to the North East (at 24%). The big growth had been in owner-occupation but with private renting picking up again after 1991.

Trends in housing tenure in London, 1961 to 2001



Source: GLA

Conventional housing supply in London by tenure, 1970 to 2006/07

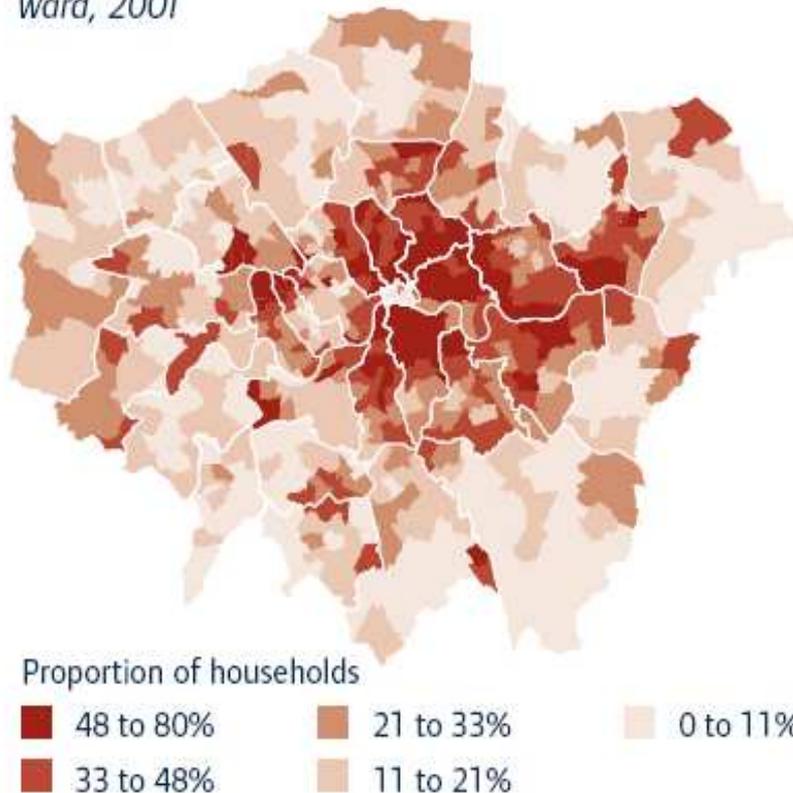


Source: GLA

The geography of London's housing

Social housing is heavily concentrated in the East and North East of London – where the skilled working population, industrial activity and the docks were also concentrated. By 1981 social housing represented 80% of all stock in some London boroughs as a result of clearance and redevelopment. The majority of this redevelopment was in the form of, often at least partly, high rise, estates.

Proportion of households living in social housing by ward, 2001



Source: Census 2001

Currently social housing remains heavily concentrated, with some boroughs in the East still having over 50% of their stock as social housing. Half of all social housing is in one quarter of wards. At the other extreme, one quarter of wards have less than 5% in social housing.

The Right to Buy has also been concentrated in terms of areas and types of units. Street properties and low rise flats have been particularly popular while few high rise apartments have been sold. Sales have also been heavier in higher income/higher house price areas. Right to Buy properties have made a very useful contribution to the lower end of the owner-occupied sector but sales have also meant that new output has not kept pace with outflows.

The Ownership of Social Housing in London

Historically, social housing was provided both by the 33 London councils and by the city-wide London authority, notably the London County Council (LCC), and to a lesser extent the Greater London Council (GLA). The contemporary GLA has no direct ownership role. However, the London boroughs in which industry and 'working class' households were concentrated had a strong political commitment to the provision of social housing.

Building by councils dominated until the 1970s even though Housing Associations (HAs) had a long history of development from the nineteenth century and of renovation from the 1960s. However, after 1980 almost new development was undertaken by Housing Associations with the help of large capital grants. There were also large incentives to local authorities (LAs) to transfer their stock to HAs, both within London as elsewhere. However this option was mainly taken up by outer boroughs. As a result London is atypical in continuing to have such a large proportion of local authority housing.

Housing Associations now own around 50% of the social stock in the country as a whole. However in London they account for under 40%. These HAs provide both social rented housing and intermediate (Low Cost Homeownership) housing. Most local authority areas have a number of HAs operating in their area and these HAs may operate in one area, across London or more widely.

A significant proportion of LA stock is now organised by Arms Length Management Organisations (ALMOs), some of which are still directly owned by LAs. ALMOs must meet performance standards to qualify for Decent Homes subsidy.

Overall housing requirements and output levels

London's population declined throughout the post-war period until the 1980s. Thereafter it has grown rapidly but is still over a million below its pre-war peak of 8.6 million. The number of households continues to grow more rapidly than population and projections are for continued growth because of migration, longevity and the decline in household size.

Housing pressures in London restrict growth in the numbers of households that are actually able to form and density of occupation is increasing. Some estimates suggest that over 40,000 additional homes are needed per annum to meet expected growth in households and to improve affordability. The GLA suggests 35,000 new homes are required per annum of which, on current predictions, 21,000 are expected to be social rented and 2,500 intermediate. It also suggests 40% of social homes need to be 4+ beds. However, these are not current policy targets.

Actual output levels including change of use fell heavily from the mid 1970s to the mid 1980s. Thereafter there was some increase but output levels stabilised at around 15,000 units per annum. There has been considerable growth from 2002/03 to 2007/8 when the total rose to over 27,000 – although conventional completions ran at only 22,000. Thereafter there has been some reduction although this has not been as rapid as elsewhere in the country. Social housing tends to account for around one third of all completions – far below the proportions thought to be required.

Who lives in the social sector?

As table 1 shows the incomes of social tenants in London are somewhat higher than those in the rest of the country. However the proportion of tenant households with no working adult is higher in London than elsewhere at 63% (against 58%). Thus those who do work tend to do better than in the rest of the country – although it should be remembered that costs of living are also higher.

Table 1: Social tenant households: income per week 2007/08

	Less than £250	£250-499	£500-750	More than £750
London	31%	53%	12%	4%
Rest of England	34%	58%	7%	1%

Source: SEH

Table 2 shows affordability ratios for tenants in the social rented sector, taking housing benefit into account. It suggests that, given the mix of households in the sector, London stands out as having affordability ratios significantly above those in the rest of the country – and that this phenomenon is getting worse. Additional analyses show that if affordability is measured in residual income terms, while in the past London tenants were better off than the average, they now vie with the North East for the worst position.

Table 2: Affordability ratios across tenures, 2002/03, 2006/07 and 2007/08

Region	2002/03	2006/07	2007/08
East Midlands	0.30	0.29	0.29
Eastern	0.30	0.29	0.29
London	0.35	0.36	0.38
North East	0.30	0.28	0.29
North West	0.31	0.30	0.30
South East	0.31	0.31	0.32
South West	0.31	0.29	0.29
West Midlands	0.31	0.30	0.30
Yorkshire and the Humber	0.30	0.29	0.29

Source: Dataspring

Who needs social housing?

The number of households seeking social rented housing has increased rapidly and now stands at over 10 households per letting per year (as compared to under 6 in the rest of the country). However, the numbers of lettings have declined rapidly in the last few years as other options have become less affordable. Figures also show that the numbers of households in temporary accommodation at around 50,000 is more than for the rest of the country put together – roughly 75% of all such housing. Similarly nearly 50% of lettings have been going to homeless households – double the rate elsewhere and accounting for around 25% of homeless households. Homelessness prevention measures have however dramatically cut the numbers accepted as homeless over the last few years.

Overcrowding is also heavily concentrated in London – with some 200,000 households affected (7% of all households) as compared to around 2% in England as a whole. This measure of pressure has also increased by 25% over the decade. In the social sector in London overcrowding is running at over 12% - well above even private renting figures

An important issue, particularly in political terms, is the numbers of migrants requiring social housing. In practice even nationals of EU states face some restrictions: refugees are mainly accommodated outside London; those without permanent leave to remain have no access to Housing Benefit or to local authority housing. However in the longer term, migrant households are likely to be less well paid and are younger, thus more

likely to have a family. As a result more migrant households will be in housing need. Table 3 shows how this has played out over the last few years.

Table 3: Tenure Mix of London migrants by origin and time in the UK

	Rich Countries		Asylum Countries		Other Poor Countries		UK Born	Total Population
	< 3 years	>3 years	< 3 years	>3 years	< 3 years	>3 years		
Owned outright	1%	24%	2%	6%	3%	16%	21%	19%
Owned with a mortgage	13%	32%	6%	23%	11%	32%	43%	38%
Social Rented	6%	21%	35%	46%	21%	37%	26%	27%
Private Furnished	64%	15%	48%	16%	56%	8%	7%	8%
Private Unfurnished	16%	8%	8%	8%	9%	5%	4%	6%

Source: Annual Population Survey, 2005-6

Immediate Issues

- London's social housing accommodates more than 25% of the population but it is increasingly difficult to get either in or out of the sector.
- While the Decent Homes programme has improved conditions there are still major issues about the quality of provision especially on large estates.
- Rents in London are very low as compared to capital values and private rents – but affordability ratios are if anything worse than elsewhere in the country.
- Overcrowding and homelessness remain overwhelming problems.
- The emphasis on low cost homeownership provides accommodation for some key workers in London but is mainly too expensive for poorer working households.
- The private rented sector plus Housing Benefit can only provide effectively for certain types of households – it does not provide longer term secure accommodation.
- Temporary housing carries with in enormous costs to households and boroughs alike.
- The London economy needs a much better operating housing market – and social housing is not currently able to play much of a role in ensuring this.

- Private finance for HAs is difficult at the present time – as is maintaining regeneration activity.
- Policy suggestions include raising rents; reducing security; and providing additional services at cost to improve standards – as well as more fundamental changes to the Housing Revenue Account to enable local authorities to play a more direct role, and further changes in ownership/powers and responsibilities.
- Any changes within the next decade are likely to take place within an environment of radically reduced capital and maintenance resources.

These are the topics for discussion today.

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