

It all adds up

Changes in the provision of housing association stock

1989-2005



This study investigates the role of housing associations in the development and maintenance of social housing stock by charting the changes in stock levels from 1989 to 2005, including the impact of properties transferring from council ownership and the knock-on effect of transfers on the rise of availability of social housing. The study was prepared for the Housing Corporation by Caroline Kiddle and Jennie Spencely from Dataspring, University of Cambridge. The study concludes that a more-even regional distribution of stock has occurred in the set period and that significant changes in stock utility have been witnessed in the South West of England. Prospects for the future include focus on non-social, intermediate housing and the continued large-scale voluntary transfer process accounting for the majority of growth in the sector.

Key findings

Stock levels have risen dramatically since 1989, from 0.6 million to 1.9 million by 2005. Housing associations now account for 42% of the social sector stock in England.

Much of this has come about through the large-scale voluntary transfer (LSVT) of stock from the local authorities.

The influx of 'family' homes from the local authority sector has resulted in an increase in the proportion of two and three-bed dwellings in the housing association stock profile.

All regions have experienced stock increases but rates of growth are varied. The highest rate was in the South West, followed by the South East and the East of England. The North East, London and Merseyside had the lowest growth rates. Again, this shows the influence of LSVT.

The pattern of the regional distribution of housing association stock is now closer to that of all dwellings than it was in 1989, reflecting the growth.

While an increasing proportion of homes are being developed without public subsidy the total is currently only 7 % of all new additions.

Falling levels of subsidy are reflected in lower levels of additions to stock. Sector growth has been relatively slow since the mid 1990s and numbers of stock entering and exiting the sector are converging.

Housing associations are committed to the Supporting People agenda and are major providers of housing for people with a variety of support needs.

In 2005 there were 358,600 dwellings classified as supported, or 18% of social rental stock owned by housing associations¹. Traditionally, housing association stock has been concentrated in London, the South East and North West. Housing association stock is now more evenly distributed and the housing association regional profile is similar to the regional profile of all dwellings.

The provision of non-social housing by housing associations is of growing importance because of government policy concentration on intermediate housing. However the level of provision is still small and currently only around 2% of housing association stock is classed as non-social housing.

We can expect to see more housing association activity over the next few years, especially in the provision of intermediate tenure housing. It is also likely that large scale voluntary transfers will continue to account for the majority of growth within the sector.

Introduction

The housing association sector is set to become the majority provider of social housing in the near future and now provides over 1.9 million homes. The make-up and role of the sector is changing significantly as the governance of social housing changes, the range of activities in which HAs¹ can be involved increases, and subsidies are targeted at different types of provision. This Sector Study uses data from the Regulatory and Statistical Return (RSR) to track changes in HA stock provision from 1989 to 2005.

Background

The majority of social housing in England consists of rental properties owned by local authorities, but housing associations have been steadily increasing their share of the sector since the 1970s.

Thirty years ago, the social housing sector represented around 30% of all dwelling stock in England. The vast majority of social housing was owned by the local authorities (LA) and housing associations were typically small local providers. Since then, owner occupation has

¹ Housing associations registered with the Housing Corporation are legally known as registered social landlords. Within this paper, the term 'housing association' will be used to mean 'registered social landlord'.

been actively promoted by government, and local authority tenants have been given the right to buy their homes, leading to a shrinking of the social sector overall. In addition, the role of the local authorities has changed from being large-scale providers of social housing to that of housing enablers. The introduction of legislation allowing the large scale voluntary transfer of stock (LSVT) from the local authorities to the housing association sector has led to a significant shift in the balance of stock between the two. As a result, the housing association sector has increased its share of all social housing from 11% in 1989 to 42% in 2004².

Furthermore despite the popularity of owner occupation, housing associations are now delivering more homes to people needing affordable rented homes and low cost accommodation than ever before.

Stock levels

Overall rental stock provision

The total rental stock owned³ by housing associations increased more than threefold since 1989, from just over half a million dwellings to just over 1.9 million by 31 March 2005. While there has been a steady trend of

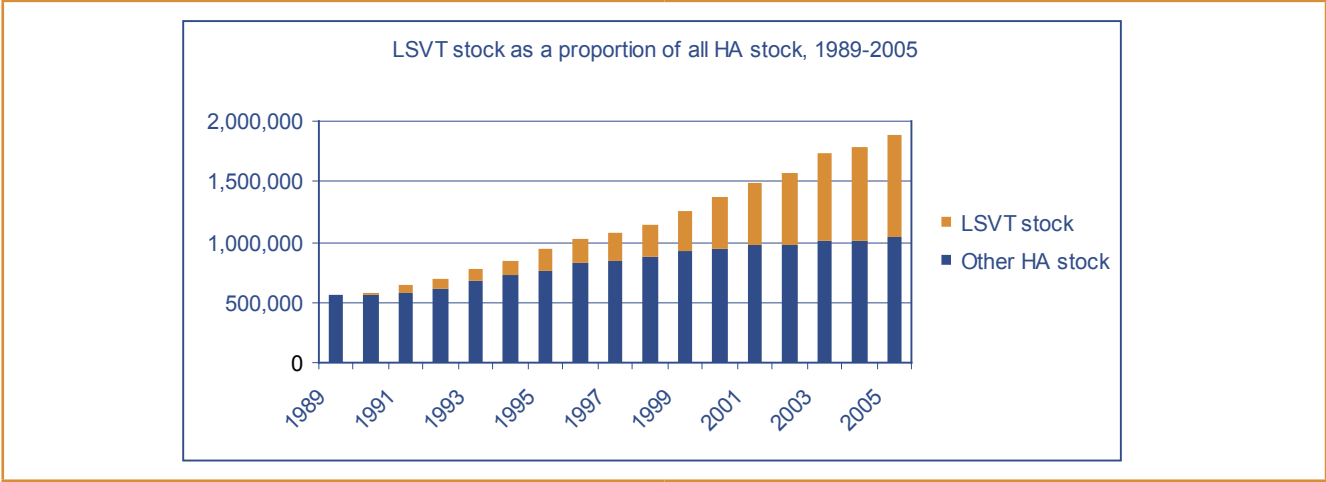
growth in stock numbers, this has been a story of two halves. In the early years, much of the stock increase was from additions to stock, while in the latter years the vast majority of growth has come from stock transferred from the local authority sector. As a result, around one third of the overall increase since 1989 is due to the influx of homes from the local authority sector through the LSVT scheme. However, this represents a shift of stock within the social sector as a whole, rather than an overall increase in social homes (Figure 1).

The impact of LSVT is reflected in the changing profile of housing association stock. In 1989 the vast majority of stock (94%) was owned by the traditional mixed-funded housing associations. The other housing association types (Almshouses, Abbeyfield HAs, black and minority ethnic and LSVT housing associations) only accounted for 5% of stock. By 2005 mixed-funded stock accounted for just over half (52%) while LSVT housing associations owned 45%. Black and minority ethnic associations had increased their share of stock to 2% while Almshouses and Abbeyfields now account for only about 1% of all housing association stock. This has been influenced by the change in policy and regulation that allows Almshouses to deregister (Figures 2a and b).

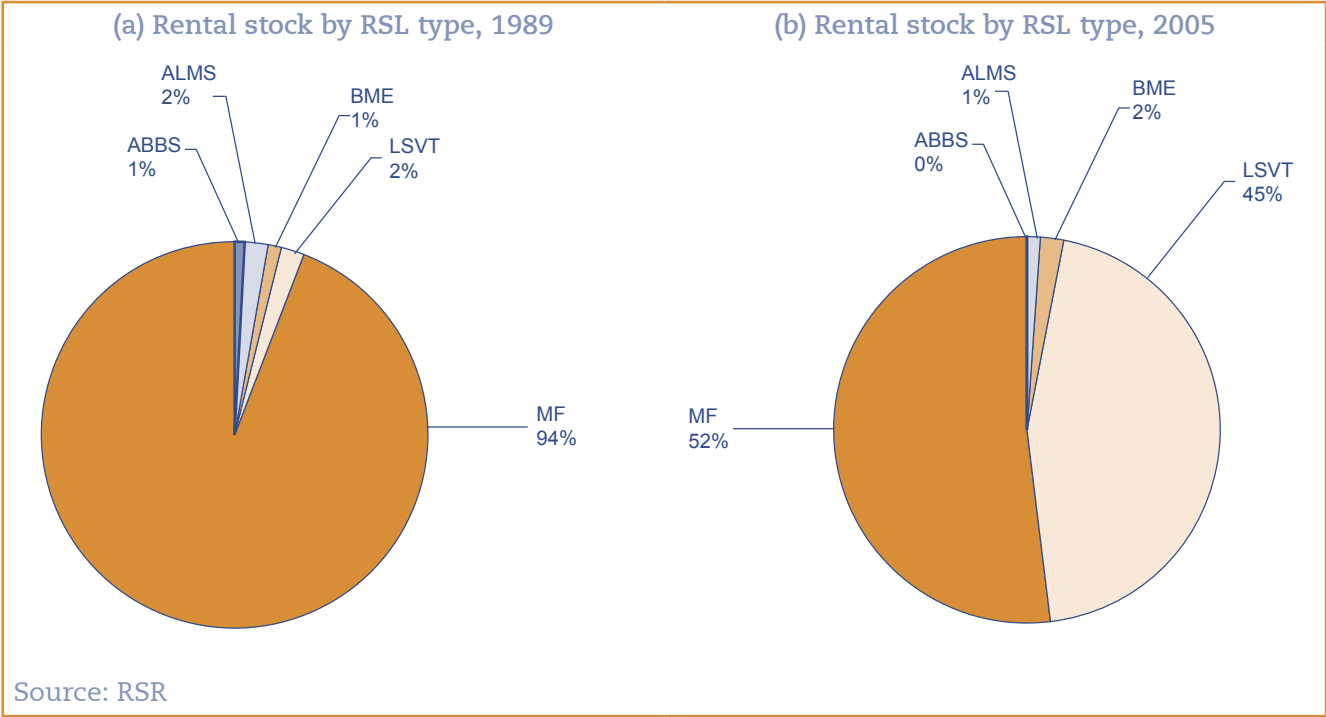
² Source: Communities and Local Government.

³ The definition of total rental stock owned within this paper includes the following: Total general-needs stock owned + total supported stock owned + total staff units owned.

Figure 1 Stock increases 1989-2005



Figures 2a and b: Rental stock by RSL type, 1989 and 2005



ABBS = Abbeyfields
MF = Mixed Funded
BME = Black and minority ethnic

ALMS = Almshouses
LSVT = Large scale voluntary transfer

The regional distribution of housing association stock

Stock levels have increased in all regions, but rates of growth vary between the regions (Table 1). The East, South West and South East, where LSVT was particularly popular, have experienced the fastest growth rates, whereas in the North East and North West, where low demand has been a problem, much slower growth rates occurred. London's growth rate was also relatively slow, but this reflects the pressures on space and cost rather than lack of demand. These slower growth rates are reflected in the smaller share of stock in these regions in 2005, compared to 1989.

Traditionally, housing association stock has been concentrated in London, the South East and North West and compared to the distribution of all dwellings there is a much higher proportion of housing association stock in London especially.

Figures 3a and b illustrate the changing proportions of housing association stock compared to all dwellings between 1991 and 2005. (Note that data for Merseyside are included in the North West for comparison with Government Office regions data for all dwellings from Communities and Local Government.)

Table 1: Regional growth of HA stock, 1989-2005

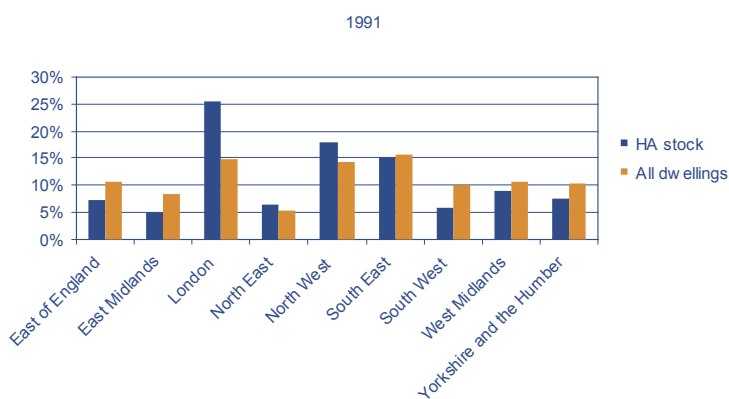
	1989	2005	Change 89-05	% change 1989-2005
East of England	34,219	179,082	144,863	423%
East Midlands	30,463	98,817	68,354	224%
London	164,552	319,776	155,224	94%
Merseyside	38,501	125,144	86,643	225%
North East	38,958	117,899	78,941	203%
North West	65,196	205,732	140,536	216%
South East	60,994	275,109	214,115	351%
South West	32,363	166,840	134,477	416%
West Midlands	56,884	226,427	169,543	298%
Yorkshire and the Humber	39,853	165,305	125,452	315%
England	561,983	1,880,131	1,318,148	235%

Figure 3 illustrates how the regional distribution of all dwellings has remained stable while that of housing association stock has shifted between 1991 and 2005. Housing association stock is more evenly distributed in 2005, with London's share decreasing from 26% to 17% while the West Midlands and the South West have increased their share from 9% to 12% and

6% to 9% respectively. As a result, the housing association regional stock profile now bears a closer resemblance to the regional profile for all dwellings. The change is particularly noticeable for London and the South West, and in the West Midlands the proportion of housing association stock is actually higher than the region's proportion of total stock.

Figures 3a and b: Regional proportions of housing association stock and all dwellings, 1991 and 2005

(a)



(b)

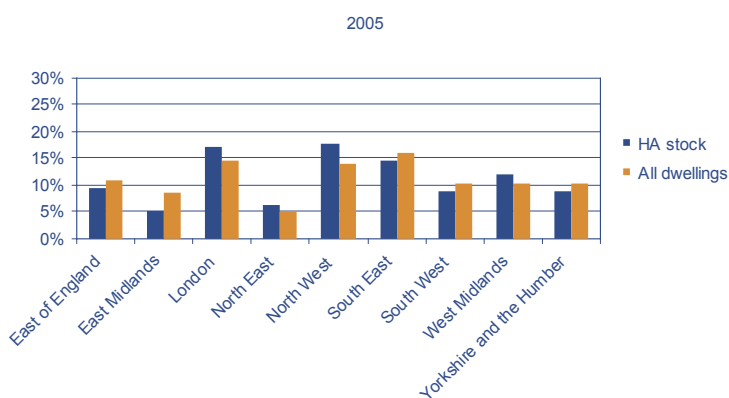


Table 2: Housing association stock profile, 1993-2005

	Bedspaces	Bedsits	1 Bed	2 Bed	3 Bed	4+ Bed	Total
1993	63,330	59,115	263,611	208,228	152,171	16,786	763,241
1994	78,084	58,870	281,631	230,441	173,807	19,254	842,087
1995	81,634	57,470	306,033	261,730	206,923	21,978	935,768
1996	88,433	58,656	325,254	294,215	236,352	24,321	1,027,231
1997	90,642	57,874	335,270	312,091	255,584	26,048	1,077,509
1998	94,762	59,106	348,096	329,733	272,375	28,403	1,132,475
1999	97,108	60,690	375,263	370,732	313,791	32,518	1,250,102
2000	98,965	61,154	406,092	412,207	351,724	36,531	1,366,673
2001	105,861	65,102	438,911	452,055	385,716	40,524	1,488,169
2002	12,613	58,265	421,187	464,627	399,718	42,304	1,398,714
2003	13,080	58,966	451,211	511,322	465,156	47,151	1,546,886
2004	75,712	75,934	528,142	547,246	495,977	51,232	1,774,243
2005	76,646	76,338	547,126	583,888	533,681	54,488	1,872,167
Change 1993-2005	13,316	17,223	283,515	375,660	381,510	37,702	1,108,926
% Change 1993-2005	21%	29%	108%	180%	251%	225%	145%
Proportion 1993	8%	8%	35%	27%	20%	2%	100%
Proportion 2005	4%	4%	29%	31%	29%	3%	100%

Source: RSR

Notes:

1) The data for 2002 and 2003 includes General Needs stock only and is taken from the RSR Part H (Rents), as supported stock was not broken down by bed size in those years.

Dwelling size

The influx of more ‘family’ homes from the local authority sector has also affected the bedsize profile of housing association stock. The increase in the numbers of two and three-bedroom dwellings has raised their share of

all stock from 47%, recorded in 1993, to 60% by 2005. By contrast bedsits, bedspaces and one-bedroom dwellings accounted for 51% of stock in 1993 and now account for just 37% (Table 2).

The use of private finance for the provision of social housing

One of the major changes to legislation affecting housing associations was the introduction in the Housing Act 1988 of mechanisms to allow the use of private finance to augment public subsidy

for the provision of social housing. This meant that more housing could be built for the same level of public subsidy and this could potentially offset changes in the levels of public subsidy from year to year.

Table 3: Housing associations' outturn capital expenditure, 1989-90 to 2003-04

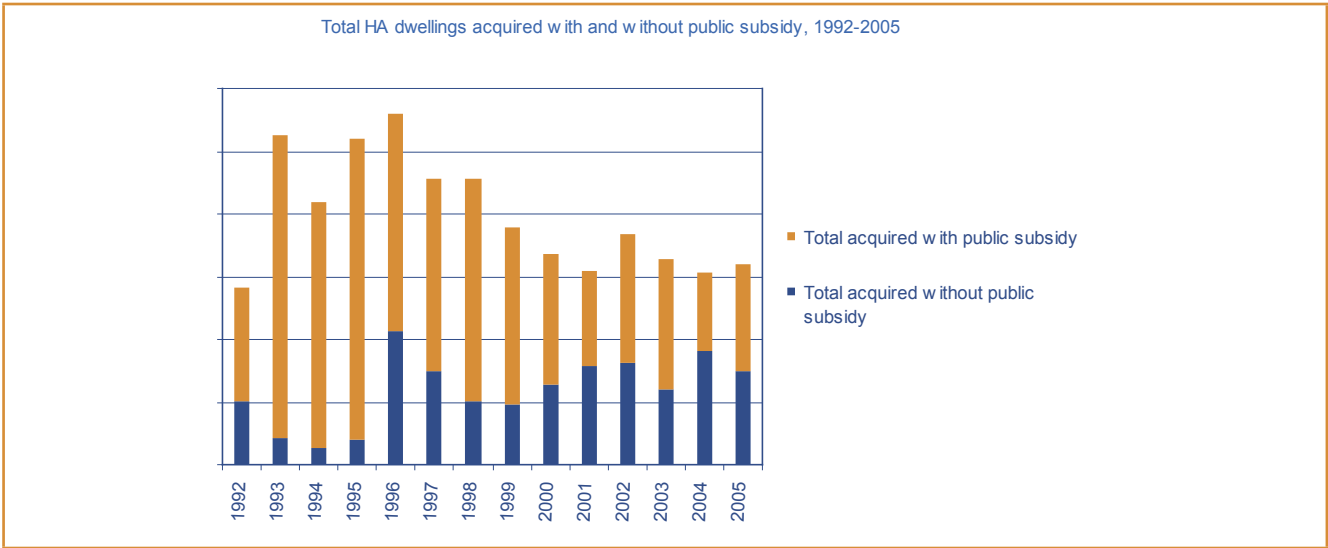
Year	Approved development programme (ADP)	Local Authority Housing Association grant	Private finance	Total	Average headline grant rate
	£ million	£ million	£ million	£ million	%
1989-90	1,034	308	250	1,592	75
1990-91	1,234	193	250	1,677	75
1991-92	1,732	179	700	2,611	73
1992-93	2,369	286	1,050	3,705	72
1993-94	1,843	338	1,250	3,481	67
1994-95	1,530	331	1,400	3,261	62
1995-96	1,183	354	1,400	2,937	58
1996-97	1,078	327	1,400	2,805	58
1997-98	684	320	1,100	2,104	56
1998-99	607	339	1,000	1,946	54
1999-00	638	330	850	1,818	54
2000-01	717	433	1,050	2,200	54
2001-02	775	410	600	1,785	60
2002-03	921	499	700	2,120	68
2003-04	1,599	388	1,000	2,987	66
Source: Cols A-D: Table 59, Wilcox (2004); Col E: DETR/Communities and Local Government/Housing Corporation					

Housing associations have amassed a wealth of experience and expertise in the development and management of social housing and raising private finance, which is reflected in the increased amount of stock that is developed without public subsidy. The boost in public funding in the early 1990s is reflected in the lower percentage of all acquisitions that are publicly funded, but overall the trend is for an increasing proportion to be developed using only private finance (Table 3).

However, what is also clear is that falling levels of public funding (Figure 4) are still reflected in lower levels of additions to stock.

Overall, when including the stock acquired through LSVT (see Table 4), the proportion of stock that is added to the housing association sector each year without public subsidy is around 7%.

Figure 4: Dwellings acquired with and without public subsidy, 1992-2005



Stock flow

Table 4 compares the new stock coming into the housing association sector in 2005 to that exiting the sector to give a feel for the net addition to social provision. It is clear that over recent years the gap between stock entering the sector and stock leaving has converged, to a point where, in 2004, the number of units exiting the sector was actually slightly higher than the number of units newly built and purchased by housing associations. The highest point of growth in terms of these new and purchased units came in 2002 where there was a 29% increase over the year. Some improvement was also seen in 2005

where there was a 4% growth in the number of units built and purchased over the year. In terms of stock leaving the sector, sales, disposals and demolitions reached a high in 2004, and were 245% higher than in 1999.

It is clear that large-scale stock transfers continued to account for the vast majority of the increase in housing association housing activity. This ties in with the larger numbers of demolitions over the years, as LSVT housing associations often, post transfer rationalise this stock. LSVT activity reflects the continued emphasis on restructuring ownership within the social sector.

Table 4: Housing association stock profile, 1993-2005

		1999	2000	2001	2002	2003	2004	2005
Stock entering the sector	New build	23,999	21,977	19,846	23,224	21,248	21,369	23,031
	Purchased	10,392	8,163	8,285	13,595	11,530	9,370	9,083
	Subtotal	34,328	30,140	28,131	36,839	32,778	30,739	32,114
	Acquired through LSVT	73,009	89,740	66,514	24,419	68,075	49,721	66,275
	Total additions	107,337	119,880	94,645	61,258	100,853	80,460	98,389
Stock leaving the sector	Sales and disposals	7,414	12,817	11,709	17,423	19,998	26,340	18,317
	Demolitions	1,960	3,274	2,638	4,723	3,595	6,000	5,056
	Total subtractions	9,374	16,091	14,347	22,146	23,593	32,340	23,373
	Balance	97,963	103,789	80,298	39,112	77,260	48,120	75,016
Source: RSR								

Table 5: General needs, supported and/or housing for older people stock in, 2005

General needs stock		Supported and/or housing for older people stock	
General needs self-contained units	1,509,730	Supported housing (units/bedspaces)	100,878
General needs bedspaces	12,298	Housing for older people (units/bedspaces)	257,225
Total general needs housing	1,522,028	Total supported housing	358,103

Source: Data are taken from Part O of the RSR and include only stock held in England

Types of housing provided by housing associations

General needs and supported housing

The vast majority of housing provided by housing associations comprises general needs accommodation. The other main type is supported housing for people with a variety of support needs. The guidance provided for the physical adaptations and definitions used for sheltered and supported housing has changed over time. In 2005 there was a major shift in focus in terms of supported housing, from the individual to the design of the dwelling. These changes came about as a result of the introduction of the Supporting People

programme and have affected the statistical information that is available for comparison over time⁴. In 2005, there were 358,000 dwellings classified as supported, or 18% of social rental stock owned by housing associations.

Generally speaking, supported housing is now divided into two types: homes that are purpose-designed or adapted to suit the needs of clients such as the elderly, frail and those with physical disabilities, and dwellings that are designated for clients needing a variety of support to help them maintain their tenancy.

Housing associations provide a breakdown of the supported housing stock they own by the client group it is intended to house. Again,

⁴ For more information about stock adaptations and housing provided for clients with support needs, see 'Briefing Paper 4: Stock Adaptations and Dwellings Provided for Tenants with Support Needs, available on the Dataspring website and the forthcoming Sector Study on supported housing.

while this information has been supplied since 1995, some of the categories have changed over time so data from 1999 is used to illustrate the change in provision by client group.

In 1999, the two largest client groups were the single homeless (28%) and the elderly (18%). Clients with learning difficulties or mental health problems together accounted for a third of all supported places. By 2005, the numbers of places for clients with support needs had increased by 282% to 348,826 units. This huge increase is attributed to the reclassification of sheltered housing and the introduction of the housing for older people category which includes units that would have been classified as general needs sheltered housing in previous years. Therefore the balance between client groups had also changed, so that by 2005 the single homeless represented only 7% of all clients while the elderly represented 71%. It is also significant that in 2005, 72% of all asylum seekers housed by the housing association sector were in accommodation owned by LSVT housing associations.

Non-social and shared ownership housing

While the main function of housing associations is the provision of affordable social housing

for rent, there is a move within the housing association sector to expand the provision of other types of affordable housing. Housing associations have long offered homes for shared ownership and leasehold housing for older people (LHOP)⁵, but more recently there has also been an emphasis on the provision of non-social housing. i.e. homes for those who can theoretically afford market rent or who aspire to home ownership but are constrained by high levels of housing demand that push market prices just beyond their limits. This includes housing developed without public subsidy that is intended for workers in key public services – where the housing association does not have the power to control the letting, management and termination of tenancies – market rented homes, student accommodation, National Asylum Support Service (NASS) contract asylum seeker accommodation, care homes providing nursing care and care homes not providing medicines or medical treatment.

Although this type of stock is of growing importance because of the focus of government policy on intermediate housing, the level of provision is still small; currently only around 2% of housing association stock is classed as non-social housing. Housing associations were required to record these non-social housing

⁵ From 2005, the term 'Leasehold schemes for the elderly' (LSE) was replaced with 'Leasehold housing for older people' (LHOP).

units as a regulatory requirement from 2002 at which time they owned 35,070 units. At 31 March 2005, housing associations recorded a total of 36,717 non-social housing units owned, an increase of just 5%.

Non-social housing is most commonly provided by traditional rather than LSVT housing associations⁶. This is reflected in the 2005 data which shows that the 188 LSVT housing associations operating in England accounted for 43% of the total stock owned but only 14% of the total non-social housing stock owned.

Summary

Although the proportion of social housing in England has declined since 1989, the housing association sector has come to play an increasingly important part in the provision of homes to those unable to participate fully in the open housing market. The housing association sector now accounts for 42% of total social housing and housing associations are set to become the main providers of social housing in the near future.

One influence on this change has been through the use of private finance for development. While dwellings developed without public

subsidy now account for a greater proportion of all developments, the falling levels of public funding are still reflected in the lower overall levels of new and rehabilitated dwellings.

The main causes of change within the sector have been driven by policy, and one of the biggest influences has been through LSVTs. As well as the impact on the profile of stock at the time of transfer, the nature of this new type of housing association, one with all its stock in one locality, means each has the potential to be a major player in that locality in terms of preferred partnership status with the local authority and thus being able to attract development funds.

Looking ahead, it is likely that the scale and diversity of housing association activity will continue to increase over the next few years, particularly with an emphasis on intermediate tenure housing. It is also likely that much of the growth experienced within the sector will continue to come from these large scale voluntary transfers.

⁶ Turner, M. Sector Study 30a: Diversification: Non-social Housing Activities by Housing Associations (Housing Corporation, May 2004).

