



UNIVERSITY
of
GLASGOW

Conference: Housing and Social Justice

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Workshop Session 1 (a): Kenneth Gibb, University of Glasgow

Rent Setting and Housing Benefit



SCOTTISH EXECUTIVE

Scottish Centre for Research on
SOCIAL JUSTICE

Rent Setting and Housing Benefit

Kenneth Gibb
University of Glasgow

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Policy Context

- Government is committed to several long term projects to reform social housing: the achievement of standards over 10 years; 10-15 years to restructure rents; the long term roll-out of HB reform
- Policy is similar but different in Scotland –there is no rent restructuring policy
- The mantra of choice and quasi-markets in the delivery of key public services such as housing has returned.

Structure of Session

- The rent and benefit proposals
- Social housing as a quasi-market
- The Scottish dimension
- Assessment: economic and social justice impacts

Reforming Housing Benefit

- Administrative problems but high cost, path dependent housing/social security subsidy
- Ex post rebate – insulation of housing costs and zero price signals
- Poverty trap problems related to wider income support issues
- Complex, tenure-specific subsidy creating horizontal inequities

Reforming Housing Benefit

- Policy reform tensions: housing-focused, social security or the Treasury's priority
- Policy objective – a simple ex ante allowance for all renting households
- Problem: huge adjustment and transitional costs
- Problem: no reliable rent signals or fairness between local landlords

Reforming Housing Benefit

- The Pathfinder proposals
- Flat cash allowance to tenant in pilot local authorities for the PRS; based on local reference rent; the end of rent direct
- Plan is to extend to the rest of the PRS and then pilot in social sector where there is 'evidence' of choice, etc
- Eventually, it should cover all rented housing

Rent setting and restructuring

- In England, a precursor to HB reform
- Evidence that rents were incoherent, irrational and locally highly uneven between LAs and RSLs
- Many proposals to design a national uniform rent structure
- Core principles of affordability, consistency and viability
- Government went for a hybrid and allowed social landlords 10-15 years to achieve the new rents

Rent Setting Reforms

- The end of discretion?
- Financial penalties on many RSLs?
- What kind of transparency is created?
Rents are equalised and vary according to capital value and average regional earnings. Is it the 'correct' way to do it?
Does it matter?
- In principle, it will create consistent price signals

A quasi-market?

- What is a quasi-market?
- Examples from health and education
- Criteria: choice, competition, responsiveness, equity?
- Measured by: multiple providers, surrogate price mechanisms, hard budgets, absence of discrimination, individual choice, cost efficiency and vfm

Social housing as a quasi-market

- Multiple providers and DHS/SHQS
- RSLs as social businesses
- The new regulatory environment
- Choice-based allocations
- Rent restructuring
- Ex ante housing allowances

Assessment as a quasi-market

- Multiple providers and hard budgets
- Contract cultures?
- Individual choice?
- Responsiveness and efficiency
- Discrimination
- Equity, social justice, fit with other housing policies

It's different in Scotland

- HB is reserved; reform is being piloted in Scotland
- Rents are not being restructured though the evidence base has been constructed and similar problems exist as in England
- Note: HB reform premised on the existence of sensible rent signals i.e. the prior reform of rents
- What options exist for the Executive?

Assessment and Discussion

- Are these policies coherent?
- Does the Milburn 'choice' philosophy apply to social housing?
- What are the primary social justice implications and questions for the reform of HB?
- Can Scotland go it alone or, can Scotland afford not to reform rents?