

Changing direction: should social housing be a hand up or hand out?

Family Mosaic: an introduction

Family Mosaic is one of the largest housing associations in London and the southeast. As well as providing affordable homes, we also provide support and care services to over 8,000 people to help them live independently.

We're driven by our customers. We want to offer them more control, and more choice. We do this because we're financially strong, and because it's central to the way we work.

It means we want to make our customers feel valued in everything we do for them.

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SUMMARY Changing direction

The ending of lifetime tenancies signals a change from an alleged dependency culture to a helping hands approach. What, though, does this mean for our tenants? And how should we respond?

To find out, we instigated three strands of research with our tenants. First, we looked at the experience of those who became Family Mosaic tenants in 2006, whose tenancies were now five years old, the minimum tenancy term proposed by the government. Secondly, we talked with a cross-section of our tenants in employment, who might be expected to have the means, and aspirations, to own their own homes. Finally, we asked tenants to share their views about the future role of social housing.

The research tells a simple story:

- of those who have been living in a Family Mosaic home for five years, only 10% would be able to move out of social housing;
- at the moment, however, they are not moving because they're happy with their homes, feel safe and secure in them, and do not feel stigmatised as a housing association tenant;
- while many aspire to buy or own a home, they don't, because current products available to them aren't affordable or attractive;
- the majority of our tenants will never be able to move on, so fixed term tenancies have to be combined with a lifetime commitment to a home if the tenant is unable to pay for any form of unsubsidised housing.

So what are the implications of these research findings for Family Mosaic, and for the wider social housing sector?

First, **we need to develop new models of home ownership**. They will have to enable tenants to stay in their existing homes, which will help us to build communities. And they will have to be attractive for tenants, so they feel more in control.

Second, **we need to develop a new relationship with our tenants** that goes beyond one of landlord and tenant. It should be based from the outset on a personalised approach, including a personal development plan with built-in periodic reviews, whose primary aim is to encourage tenant ambitions and deter dependency. One danger of the introduction of fixed term tenancies and higher rents is it will change our relationship: more than ever, our offer has to meet the individual needs of what will be a more demanding customer.

Third, **there needs to be an alignment of welfare and employment services to support these individual development plans**. Delivering a culture where people find their own solutions is not our problem alone: it will require support from government to ensure existing services are used as effectively as possible.

There is a clear signal from politicians for a cultural change in the role of social housing. We support the new direction: social housing should enable choice and control. Yet this will only work if we, the sector and the government invest in new products and new relationships. If we do, the rewards could be significant: applying this 10% move-on ability across the sector would nearly match the number of homes available as new lets every year. With new products and coordination between us and government departments, this figure could be even higher.

As well as developing new products so tenants can move on from our homes, we also have to develop new strategies and initiatives to help the majority move on from a life of dependency on social housing. This means a change in direction from providing better housing to providing better prospects.

1 The five year itch

In July 2011, the Government announced a new approach towards tenancies for social housing tenants: housing associations would be encouraged to offer all new tenants flexible tenancies. These would be for a minimum period of five years.

For Family Mosaic, these proposals represent a fundamental change to its relationship with its tenants, and with its models of tenure. Along with many other social housing landlords, we are aware that the current system of social housing isn't meeting housing need and it isn't meeting the aspirations of some of our tenants.

The rationale behind the proposal is that the current system of social housing acts as a disincentive to social tenants to seek work and improve their income and stops us helping the many people desperately in need of housing. In a speech in the summer of 2010, the Prime Minister, David Cameron, highlighted the need for a more "flexible system" of social housing, that encouraged people to move out once their need for social housing had disappeared or had changed. This would, the Housing Minister Grant Shapps argued, help to tackle "the record 1.8 million households on social housing lists". In other words, the five year tenancy would enable housing associations to move on some tenants, thereby freeing up homes for those more in need of social housing or move people to homes more suitable for their needs.

We decided to test how this approach might work in practice, both for our tenants, and for us as a landlord. We started by researching the situation facing those tenants who had started their tenancies with Family Mosaic in 2006, and who have now been with us for five years. Using a

telephone survey, we asked a sample of tenants from this class of 2006 about:

- their aspirations for the future;
- their employment status and weekly income;
- their aspirations for moving out of social housing, and the options available for them.

Simultaneously, using a mix of phone interviews and focus groups, we also conducted research with Family Mosaic tenants who are in employment. After all, they would be the people who would be most likely to be able to move out of social housing.

We wanted to understand:

- their perception of social housing, their home and their relationship with us;
- their aspirations for the future, and for their aspirations for their children's future;
- how we could most effectively support them to move out of social housing.

One final piece of research involved an online survey with tenants, and people working within the social housing sector, about the role of social housing. This set out four potential models – landlord, developer, housing plus and move on – for housing associations, and asked respondents to rank them in order of preference.

This report analyses all this information, and sets out some implications for Family Mosaic, for the social housing sector, and for government.

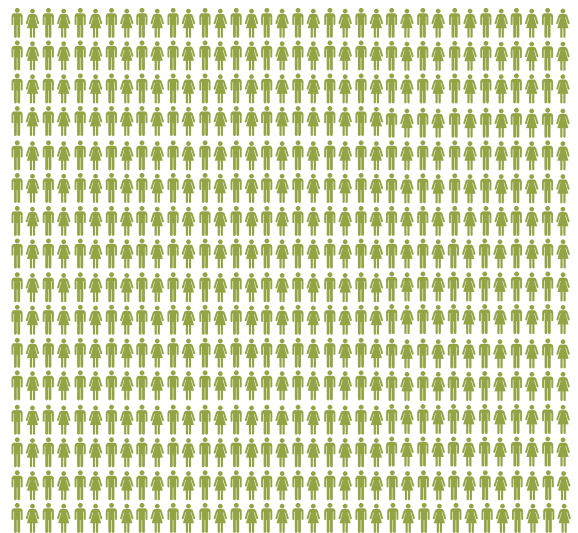
2 The class of 2006

In 2006, we made 576 new lettings. Five years later, 169 of those original tenants had left, leaving 407 of the original class of 2006 living in Family Mosaic properties. Most of the 169 people who left had transferred to other social housing homes. Others had been evicted or had given up their tenancies voluntarily. We know this from exit interviews.

We then took a sample of tenants who were still living in Family Mosaic homes and asked them a series of detailed questions about their circumstances and aspirations.

We received 89 responses, representing just over 20% of the source population of 407 remaining tenants from 2006.

576 In 2006, we made 576 new lettings to tenants



407 Five years later, 169 tenants had left, leaving 407 of the original class of 2006



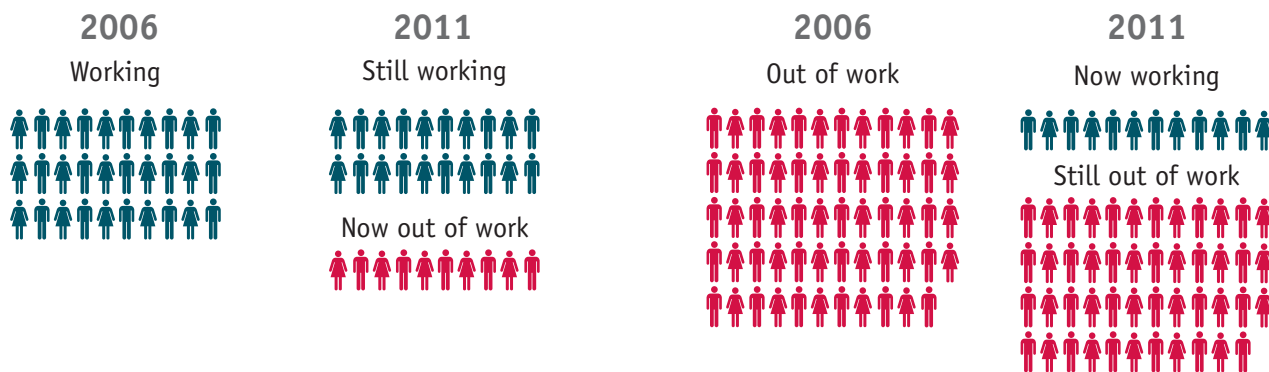
Just under half of the respondents told us that they or someone in their household was working. This is near the national average: according to the Office of National Statistics, 52.5% of households renting from a social landlord were in work. Of those tenants in work, nine (or 28% of those in employment) said they had doubts about the security of their jobs.

In debating the issues around fixed term tenancies, we also have to recognise that some tenants will be moving in and out of work, as shown in the illustration below. Just waiting for five years won't mean that many tenants are able to move on, or will have 'bettered' themselves: a fixed term tenancy might provide some incentive, but is unlikely to be sufficient on its own.

Half in work: half out of work



Changing fortunes: in and out of work



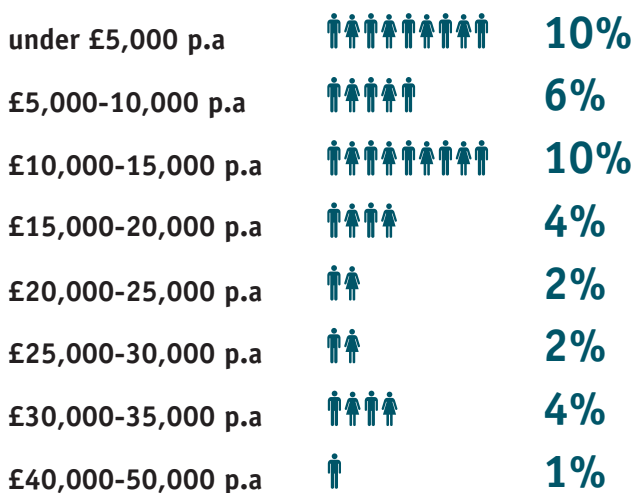
Of the 30 tenants who were in work in 2006, five years later, 20 of them still had a job, but ten were now unemployed.

Of the 59 tenants who were out of work in 2006, five years later, 12 had found a job, and 47 remained unemployed.

We also asked tenants about their income. According to the last annual survey of hours and incomes by the Office of National Statistics, the median single income earning for someone living in London is £522 a week, or £27,000 a year. Only seven respondents, or 8% of the total, had an income equal to or more than this: and, of these, one lived outside London. This indicates that most of our tenants in work are in low paid jobs, and might find it difficult to afford a mortgage.

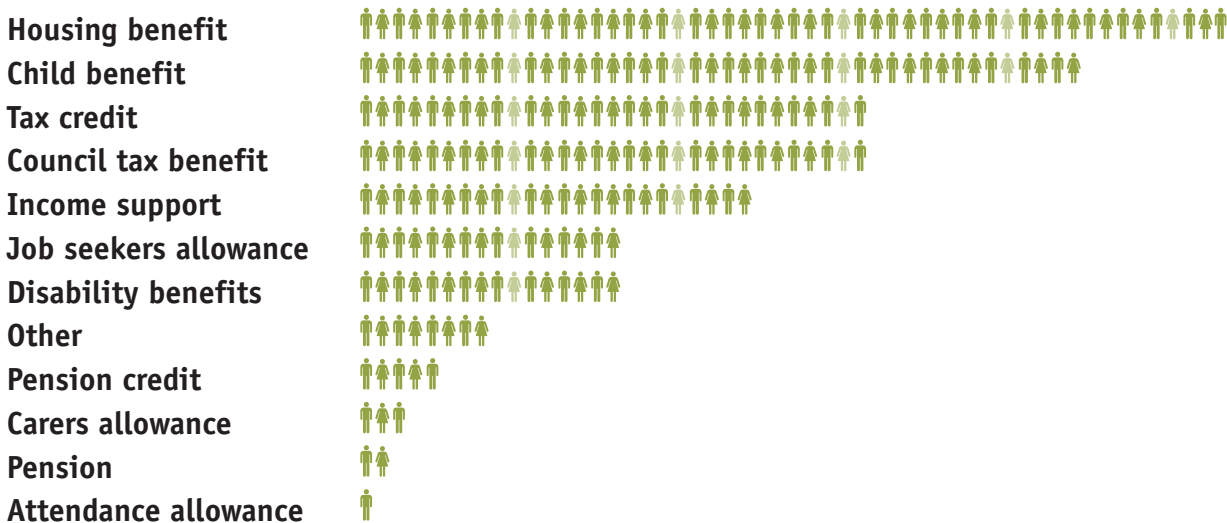
We also asked tenants about which benefits they were receiving. Just under 60% were in receipt of housing benefit, just under half got child benefit and over a third were receiving tax credit and council tax benefit. This indicates the amount of additional financial support our tenants require. It also suggests most tenants would need to remain living in Family Mosaic's – or other social housing provider's – homes for longer than five years.

Annual household incomes from employment and benefits



The % figure here relates to the total number of tenants: so, for example, 10% of all tenants in the research had an annual household income from employment and benefits of between £10-15,000.

Benefits received by respondents



The research also sought to explore how many of our existing social tenants might be able to move into some form of ownership five years after the start of their tenancy. To do this, we looked at the income evidence from the questionnaires and compared it with house prices in the areas where people already lived, or where they said they wanted to live.

We identified nine tenants (10% of the total) who might be able to afford an equity stake in their homes, using the following assumptions:

- all types of benefits could be taken into account for borrowing a mortgage;
- their combined household income was at least £23,000 a year;
- borrowing 3.5 times of the whole income would be achievable with lenders;
- they would be able to raise a deposit;
- two bed house prices were used as entry level prices (although this size may be too small for some families).

In theory, a combined household income of over £23,000 would signal that they could move on by using an existing low cost home ownership product. Their perceptions, however, were that they could not afford to move on: even the tenant whose combined household income was over £45,000 said they could not afford to move out, because they had four children to support.

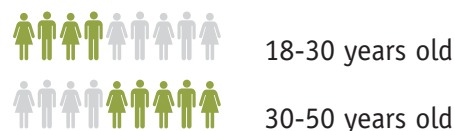
For them to move on, Family Mosaic, other social housing landlords and the government, would have to invest in, and develop, new products that are both more affordable and more attractive to social housing tenants.

The nine potential movers

Household types



Household types



Location



Preferred area to move to



Why not buy now



Interested in equity scheme



3 Perceptions of social housing

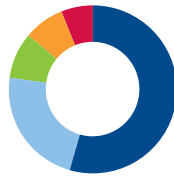
Our second piece of research focused on our working tenants: these are the people who would be most likely to be able to move out after a five year tenancy. So why didn't they?

The findings show tenants carry on living in our homes because they are happy with social housing

and enjoy their home. They tend to like their local area, feel safe there and don't feel stigmatised as a housing association tenant. They point out that their homes are often indistinguishable from the private sector homes in their street. Indeed, the research highlighted that they do not perceive their housing to be a state-subsidised product.

Liking my local area

78% slightly or strongly agreed that, "I like the local area where I live"



Enjoy my home

76% slightly or strongly agreed that, "I really enjoy living in my home"



Feeling safe in my home

62% slightly or strongly agreed that, "social housing provides a safe living environment"



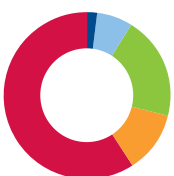
Happy with social housing

68% slightly or strongly agreed that, "I am happy living in social housing"



No stigma attached

71% slightly or strongly disagreed that, "I am embarrassed to live in social housing"



KEY

- Strongly agree
- Slightly agree
- Don't agree or disagree
- Slightly disagree
- Strongly disagree

When it came to the issue of whether social housing tenancies should be flexible or fixed, they were clear: over 80% felt they should be able to live in social housing as long as they want. An analysis of our working tenants' records highlights that the great majority have lived in their current home for six years or more. When asked how many more years they hope to live there, the majority who felt able to comment said 20 years or more.

This perception about homes being for life was reflected in their response towards fixed tenancies: just 2% thought a five year fixed tenancy was reasonable, while most felt fixed tenancies would cause too much stress. There were indications from the focus group discussions, moreover, that tenants would much rather see policies that helped and supported them, rather than policies that appeared to penalise them. None of this is surprising, but there may be service and political resentment when new tenants do not get the same offer.

A home for life

83%

agreed that, "tenants should be able to live in social housing as long as they want"



Five years not liked

2%

agreed that, "five years is a reasonable term to give tenants"



Too much stress

63%

agreed that, "time limited tenancies would put too much stress on the tenant"



Make income count

19%

agreed that, "the length of your tenancy should be determined by your income"



This perception of social housing being for life was also reflected in the research we conducted with our class of 2006 tenants: over 50% of tenants saw their current home either for life, or the foreseeable future.

The views of our working tenants towards fixed tenancies were reflected in the online survey we conducted with tenants. We gave respondents four options to choose from, and then asked them to rank them in order of preference according to the role they would like housing associations to take.

The first choice for over 40% of our tenants was for us to focus on providing landlord services. The next most popular first choice was for us to focus on building houses, followed by providing housing plus services in the community, and, finally, move on. This isn't a particular surprise.

Their fourth choice was also not a surprise: almost 60% of tenants ranked move on as their

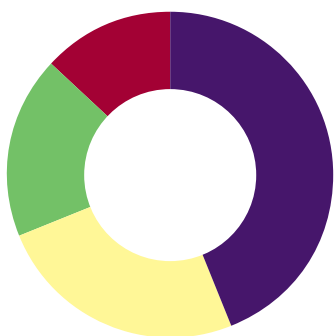
least favoured option. The survey also gave tenants an opportunity to tell us what they thought about our potential future role. This comment, from a single mother, was not unusual:

Unfortunately as a single parent and on the lower end of income levels, it is not a case of social housing being affordable, but rather, anything else is unaffordable. I did not choose to be a single parent, and do not have any family to support me and my daughter.

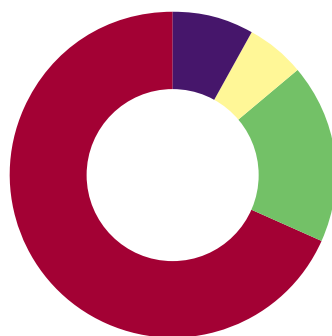
However, I do my utmost to provide a stable positive home and background for my daughter. I am determined she should have choices I never had and this has been, I believe more possible, perhaps only possible, living in an accommodation that is long term and affordable.

This quote may be challengeable on many grounds, but it does show how complex the issue can be.

Tenants' first choice: be a landlord



Tenants' fourth choice: don't focus on move on



KEY

- Landlord
- Developer
- Housing Plus
- Move on

4 Unfulfilled aspirations

We asked our working tenants about their tenure preference if they were to move now or in the future. Over half of the working tenants said they would like to buy a home in ten years time. These aspirations increased when it came to their children: over 70% said they would like their children to own their own home in ten years time.

A significant number, however, only wanted to remain renting social housing: 24% wanted to stay in the same rented home they were in, while 14% wanted to move into other social housing. And while just 5% said that they would consider privately rented accommodation in the future, only 1% said that they aspired to be living in the private rented sector in ten years time.

Future ownership

51% agreed that, "in ten years time, I would like to own my own home"



Future shared ownership

17% agreed that, "in ten years time, I would like to have a shared ownership home"



My children's future

71% agreed that, "in ten years time, I would like my children to own their own home"



Private not an option

5% agreed that, "I would consider privately rented accommodation in the future"



These results were also reflected in the research with our tenants who started their tenancies in 2006. Many wanted to buy, but most said they couldn't afford to, nor did they feel able to buy with a mortgage. Shared ownership or equity shares offered a possible alternative. So why don't they use our existing low cost home ownership products?

Our working tenants told us they felt our social homebuy offer was too heavily weighted in our favour. If they wanted to sell the property, for example, they have to give us first option to buy. Similarly, they become liable for all repairs, yet if they want to make changes to their home, they have to ask us for permission. These views may not be true, but they should inform how we develop and market any future home ownership product.

Would like to buy

38% would like to buy a home



But we can't afford it

89% said they were unable to afford to buy



Mortgages not for us

2% said they could afford to buy with a mortgage

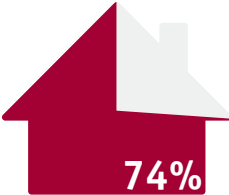


Shared ownership possible

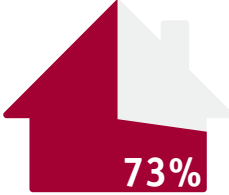
16% said they could afford to buy with shared ownership or an equity share



My worries about owning a home



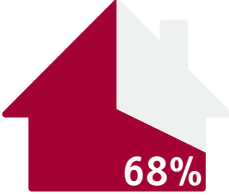
I'm worried about the costs



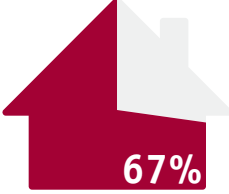
I'm worried about finding enough money for the deposit



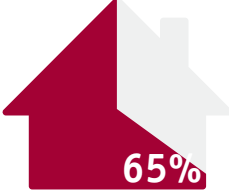
I'm worried about interest rate increases



I'm worried about being made homeless if I can't afford the repayments



I'm worried I'd have to move out of the area to be able to afford a property



I'm worried about the responsibility of repairs



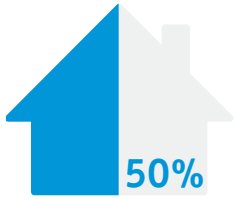
I'm worried about the process being too complicated

Some of the other reasons that tenants don't move (as shown on previous page) are similar to the concerns many people feel about buying a home. When we asked our working tenants what help they might need to realise these aspirations, their responses centred around the issue of finances (responses shown below).

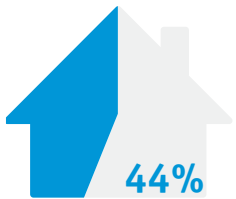
What would help me buy my own home



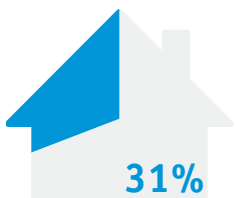
A scheme that made it affordable



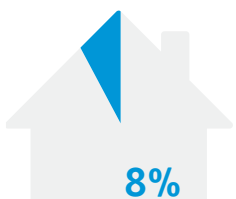
A better paid, or new, job



Help understanding the available options



Help with savings / financial planning



Further education / training

5 Mapping the future

The research tells a simple story: of those who have been living in a Family Mosaic home for five years, only 10% would be able to move out of social housing. At the moment, however, they are not moving.

They don't move because they're happy with their homes, feel safe and secure in them, and thankfully do not feel stigmatised as a housing association tenant. And while many aspire to buy or own a home, they don't, because the current products available to them are neither perceived as being affordable nor are they attractive to tenants.

The majority of our tenants will never be able to afford to move out: so fixed term tenancies need to be combined with a lifetime commitment to a home, if the tenant is unable to afford other options.

So what are the implications of these research findings for Family Mosaic, and for the wider social housing sector?

New model housing

The first implication for us, and for the social housing sector, is that **we need to develop new models of home ownership**, if we are to help short-term tenancies work. These have to be affordable and attractive to those 10% of tenants who might be in a position after five years – and potentially more tenants depending on the attractiveness of the product – to move into some form of home ownership.

These new low cost home ownership products will only work, however, if they are tailored to meet our tenants' circumstances. The research shows current low cost home ownership products are perceived as

being neither attractive, nor affordable. We would suggest that to be affordable, any new product has to be equity based: we would have to be joint investors, not the landlord, over the unsold equity.

Such an equity-based scheme should enable tenants to be able to either buy a new home, or to continue living in their existing home. If the latter, then we would be able to reinvest the income into a new home for rent.

Judging from this research, a product that enabled you to stay in your local area would be attractive to tenants: many expressed concerns that the only way they could afford to buy would be if they moved away from their neighbourhood. For many, this disruption and change is perceived as being too great, with the rewards outweighing the risks. A new product that enabled tenants to accumulate equity stakes in existing homes would help to build communities. Otherwise, we might be faced with a scenario of better-off tenants moving out of communities, leaving behind ghettos of the poorest, most vulnerable tenants.

Simultaneously, the new product needs to be affordable, not only in terms of initial price, but also with regards to changes in circumstances. The ideal offer would allow staircasing back down to renting if necessary. This is something Family Mosaic already offers shared ownership leasees, but it would need to be part of a standard product.

The new model should also be attractive to tenants: this research shows that some of those tenants who might be able (and expected) to move on don't do so because they perceive our current shared ownership products are too heavily weighted in our favour. Any new model has to be informed by these perceptions.

From our perspective, there are a number of issues we have to consider in developing such a product:

- there has to be a market: whilst an individual housing association could develop a new equity product that would be attractive to many tenants, there would be significant advantages if it was nationally recognised. This means the product has to be relatively simple, standardised and sustainable;
- if there is any subsidy involved, is this fair? Should we subsidise our better off tenants, at the potential expense of the most vulnerable? Or do more vulnerable people get a home via an emphasis on those who no longer need a subsidy to move on?
- there is a clear moral risk for associations: products would need to be clearly focused on helping those able to pay more for their housing, but in a way that allows them to cope with the risks involved.

The way we communicate with our tenants about this new model will be central to its success. For our existing tenants, there is no perceived need to move out of social housing. We, along with policy makers and politicians, need to recognise that social housing tenants do not necessarily share their belief in a housing ladder.

Tenants believe strongly they have worked hard to get and maintain their tenancies. They see no

obligation to move on from their homes, comparing themselves favourably to their non-working neighbours. To actively move this group on, then, they will need to feel home ownership is a very visible expression of the value of their hard work, and that they are not being forced out of their homes: grants or tax breaks would help.

New relationships

This leads into the second implication: **we need to develop a new relationship with our tenants** that is more than one of landlord and tenant.

While more flexibility on the length of tenancies could be used to create a different relationship with tenants, it is important that the emphasis on shorter tenancies, and moving people on, does not undermine this relationship from the outset.

We need to rethink our relationship with our new residents from the moment they sign their first tenancy agreement with us. In the future, this agreement has to be broader, it has to include a time limited personal development plan, drawn up according to their individual needs and aspirations, to encourage ambition and deter dependency.

This should be done with the focus on them moving into their own home in five or ten years time. It might include ways of helping them find a job, or how they can develop a new career. Critically, the fixed term tenancy would be used – and promoted – as a way of conducting periodic reviews into these development plans. These in-built reviews would act as an opportunity to reconsider options and choices that would enhance their tenancy, and the tenant's wider prospects, as much as to seek to move people out of their home.

Using the periodic reviews, we could introduce enhancements tenants could take up to suit their circumstances. They might want additional services they pay for, or they can earn through community work. We might enable tenants to earn community points for specific activities, to be offset against rent. We already have a timebank initiative that works along these lines. Or we could use the periodic review to provide specific advice or support to tenants around worklessness, financial inclusion or community engagement to which they would commit as part of their personal development plan.

The personalisation pilots we conducted with some of our care and support tenants provided invaluable insights into ways of revitalising our approach towards housing management. Personal development plans, which are widely used in supported housing, can help us to realise choice and control for our tenants. With increased flexibility over rents, we would be able to offer tenants even greater choice and control, based on price and length of tenancy.

The introduction of a regular review as part of a fixed term tenancy should not be seen as being solely targeted at moving people on, physically, from their homes. It should also be seen as part of a wider shift in our relationship with tenants, so that we can help the majority who are not able to move on, to become more independent.

One outcome would be a fall in benefit dependency: by helping people into work, we would be contributing to reducing the public debt. And we would increase our tenants' independence, thereby improving their wellbeing and health.

Another outcome would be a recognition that some of our tenants will need a lifetime tenancy, because they will be unable to work. This commitment should not be forgotten in the debate about short-term tenancies.

New services

This can only happen though if there are the welfare and employment services available to support these development plans.

We already have a successful training and employment service which, in partnership with other local agencies, provides training and employment advice for our tenants and their families. We also work in partnership with local credit unions, have developed a series of area-based programmes, and have established a youth programme investing in the social and economic future of the communities where we operate.

As important as these initiatives are in developing and sustaining social and economic capital, we will have to consolidate this offer. And this will have cost implications for us. It is unlikely though, that we, or others in the sector, will be able to fund the support required by our tenants by ourselves.

As a consequence, there will be a need to realign welfare and employment services behind this relationship with our tenants. This will need a more detailed discussion with government and, while it is unrealistic in the current climate to expect new money for such an initiative, we will need government support to ensure existing services are used as effectively as possible so that tenants can realise their potential.

A new direction

There are clear signals from politicians for a cultural change in the role of social housing. We support the new direction for reducing dependency: we believe social housing should enable choice and control for all our tenants.

Yet this will only work if we, the sector and the government invest in new products and new relationships. If we do, the rewards could be significant: applying this 10% move-on ability across the sector would double the number of homes available as new lets every year, assuming full value of the receipts can be reinvested.

If we were to develop products for tenants earning enough for a 30% equity share in their home, this figure could rise to over 44,000 new homes available nationally for re-let. With regional variations, this figure could increase to 20% across the sector, resulting in almost 60,000 new homes being made available for new lets every year.

This would help reduce the current bottleneck in social housing. A shocking statistic from Family Mosaic is that for every six tenants who are given a social housing tenancy, only one moves on to an unsubsidised home. In the future, this situation will only get worse, as there are fewer new lettings, because of the smaller development programme, and fewer residents moving on.

So while we need to develop new models to enable those tenants who might be able to move on from our homes, we also have to develop new strategies and initiatives to help the majority to move on from a life of dependency. It means a change in direction from providing better housing to providing better prospects.

The potential impact



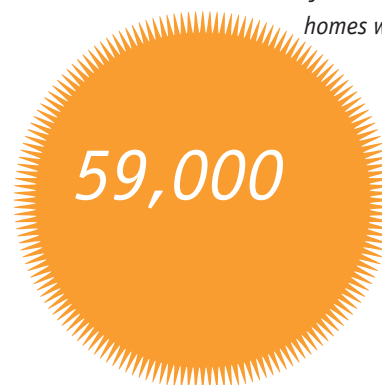
The number of new affordable homes built for social rent in 2009-10 (source: Affordable Housing Supply, England, 2009-2010, DCLG, Oct 2010)



If 10% of the 295,000 tenants who entered social housing in 2007 were able to move on after five years, it would make 29,500 homes available



If 15% were able to move on after five years, it would make 44,250 homes available



If 20% could move on, 59,500 homes would be available

For further information contact Joanna Birch:

T 020 7089 1046

M 07960 821 007

E Joanna.Birch@familymosaic.co.uk

Credits

Original research by Mark Lupton, Bob Line and Research by Design

Edited and designed by Matthew Grenier