

THE ROLE OF THE GOVERNMENT IN SUBSIDISING AFFORDABLE HOUSING

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INTRODUCTION

No matter which definition of affordable housing you adopt, there is no doubt that there isn't enough of it, particularly for low and middle income households; one in five families now claim housing benefit as rents increasingly exceed incomes and as demand increasingly exceeds supply¹. Around 195,000 to 290,000 new homes are required each year to keep pace with demand, yet since 1990, at its highest rate, new supply has only achieved 176,650 a year and in 2010-11 only 116,000 new homes were built².

Aside from an increasing housing benefit bill, there are many other important costs and consequences that result from a lack of affordable housing, indeed underinvestment in housing creates costs for non-housing services, as overcrowded homes can be a detriment to educational performance, crime increases in poorly designed and marginalised environments and transaction and production costs increase and regional economies suffer as essential, low paid workers are displaced from centres of economic activity³.

Indeed, both an inclusive and civilised society and our economic and social wellbeing are dependent on a balanced housing market that provides ample supply, quality and choice of affordable homes, in well designed and sustainable communities⁴.

The lack of affordable housing results from a combination of factors; significant reductions in the object subsidies available to the social housing sector and an increase in subject subsidies is one of these. Statistics regarding completions by the social housing sector during periods of low and high grant funding speak for themselves: around fifteen thousand per year in low periods and around twenty-five to thirty thousand in high periods⁵.

Reasons given for this shift towards subject subsidy since the 1970s include: the end of enormous housing shortages; a reassessment of the key housing problem as one of affordability; and a change in the political and economic outlook particularly the belief in market solutions to public and social policy problems⁶.

There are numerous advantages and disadvantages of both object and subject subsidies, however, King⁷ and Webb⁸ warn that we should not view the market and the Government, and object and subject subsidies, in oppositional terms; it is a case of finding the desirable and effective balance of each.

The £1.8 billion 2012-15 Affordable Rent programme represents the latest approach to object subsidies; it provides smaller grants and requires the social housing sector to plug the funding gap by 'sweating' their assets, charging higher rents and securing private sector investment⁹. This is seen by some as the privatisation of the sector and, indeed, the end of social housing as we know it¹⁰.

Furthermore, it is contributing to a substantial increase in the housing benefit bill (predicted to be £25.4 billion by 2019) as the market has not responded as the Government expected, i.e. to adjust supply to meet government-supported, increased demand from lower income households¹¹. The

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Government also expected Affordable Rent tenants to have moved from the private rented sector, meaning a reduction in any housing benefit expenditure on these households¹². In fact, these tenants have moved from family or friend's homes or institutions, which has resulted in housing benefit expenditure funding the expansion of the market, including rogue landlords and substandard properties, rather than being invested in public housing¹³.

Against this background of a severe housing shortage, unprecedented levels of un-affordability across all tenures, sky high housing benefit expenditure and rock bottom capital investment in housing by the Government, this paper provides an essential and timely review of the role of the UK Government in subsidising affordable housing.

This paper draws on both secondary (literature review) and primary (questionnaire of housing professionals) research; firstly the context is considered, including some of the reasons for, and impacts of, the affordable housing shortage. Secondly, it considers why affordable housing is important including if and why there is an affordability problem and what the costs and consequences of this problem are. It also considers why affordable housing subsidy is required and discusses the arguments for and against Government intervention in the provision of affordable housing and the advantages and disadvantages of an object subsidy approach. Next, current and past Government approaches to object subsidy are discussed and finally the impact of the current Affordable Rent programme is examined.

Following this thematic comparison and analysis of the primary and secondary research findings, this paper concludes with recommendations on what an effective Government subsidy programme would look like; the prevailing view from the research findings suggests that the most effective role for Government is providing substantial amounts of object subsidy to the social housing sector. However, the findings acknowledge that in times of austerity, where a return to substantial object subsidy programmes is highly unlikely, the most effective role a Government in these times can play is to support the sector to become self-financing and to deliver mixed communities.

METHODOLOGY

Literature review

In conducting the literature review, a systematic and targeted search for relevant materials was carried out; keyword searching was effectively used to identify: academic books; academic journals; reports, reviews, policies and statistics published by central and local government, housing membership bodies and lobby and research bodies; and articles from the housing media, commentators and practitioners.

Searches were largely conducted using the De Montfort University library catalogue and the online search engine Google. The following keywords were used during the search: housing, affordable, social, subsidy, object, subject, rent, grant, public, capital, revenue, bricks and mortar, housing benefit, investment, finance, development, supply, central, government, UK. The following search techniques were also used: using alternative spellings, searching in the singular and plural, using quotation marks, combining terms using AND and OR, using wildcard searches.

Additionally, citations were searched and cross referenced to identify further and key pieces of literature.

Primary research

Following the literature search and review, a survey was conducted amongst housing academics, practitioners and policymakers to validate the findings of this literature review.

The required primary research data was both quantitative and qualitative in nature, whilst surveys are usually more appropriate for quantitative data collection only, a survey was chosen as the most

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appropriate data collection method for this research, i.e., it allowed a broader range of results to be collected in the time available and a survey is easy and low-cost to set up.

However, the survey method required careful design to overcome the problem of collecting both qualitative and quantitative data through a method typically used for collecting quantitative data only.

A questionnaire was conducted electronically via the website www.surveymoz.com (rather than face-to-face, or over the telephone) as this is an approach popular with respondents because it offers a quick response time and familiarity. An electronic questionnaire was also cost-effective to develop and distribute and removed the logistical problems associated with surveying respondents across a wide geographic area¹⁴.

A non-probability sampling approach was used as a specific group of housing academics and practitioners were required to respond to ensure that valuable and relevant data was obtained. As there is no database or register of the sample, they were identified by the researcher through both a purposive and snowball approach¹⁵, i.e. respondents were identified both through existing contacts and through their contacts.

It was important to hear the views, opinions and experiences of senior housing professionals from across the housing sector and associated professions. To achieve this, the questionnaire was initially circulated via email amongst internal colleagues including board directors; amongst external colleagues from partner organisations; fellow Chartered Institute of Housing East Midlands board members and fellow alumni.

Additionally, the email made a general request for all of the above colleagues to forward on the questionnaire to others. More specifically, certain colleagues were asked to contact certain contacts to complete the questionnaire, for example one colleague directly contacted the editor of a housing magazine and the chief executive of a housing lobby and representation organisation, both of whom completed the questionnaire.

Furthermore the questionnaire was promoted via LinkedIn and Twitter. A link was posted to the questionnaire in relevant social housing groups on LinkedIn and also for all the author's contacts to see. It was also promoted on Twitter with a general tweet containing the questionnaire website link. Additional tweets were posted that mentioned social housing individuals and organisations such as Chartered Institute of Housing, National Housing Federation, Guardian Housing, 24 Dash and De Montfort University Centre for Comparative Housing Research as these tweets would then be seen by a wider audience. Finally, a number of individuals were tweeted to directly ask them to complete the questionnaire.

Through this approach, the recommended minimum sample size of thirty¹⁶ was not only achieved but far exceeded, with eighty respondents completing the questionnaire. Nonetheless, care has been taken to avoid the use of generalisations or complex scrutiny of these responses in their analysis¹⁷.

ANALYSIS

Why affordable housing is important

Defining affordable housing

The literature review revealed a variety of definitions of affordable housing, ranging from those that equate it to social housing¹⁸, or more generally to sub-market housing across all tenures by an assortment of providers. Others considered a person's financial means¹⁹, whilst some regard it as for those who cannot secure good quality housing, particularly home-ownership products, for themselves through the market²⁰.

Seventy-five percent of questionnaire respondents agreed that the role of social housing is to house those who cannot access affordable and quality housing through the market. However, like Hills

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(2007), some respondents commented that there is not one tenure for this group; they should be helped into a variety of tenures through the benefit system.

Both Whitehead et al²¹ and Diacon et al²² define affordable housing as being within the financial means of the households, whereas Whig²³ argued that such a definition is arbitrary. Some questionnaire respondents agreed with Whig²⁴, explaining that what matters is having enough money to live on after housing costs are paid. The majority (41.25%) of respondents said that twenty-five to thirty percent of a person's income is an affordable amount to spend on housing.

Thus, whilst many people equated affordable housing with social housing, which exists for those excluded from the market, some highlighted a wider definition of: housing across all tenures, offered by a variety of providers, at a price which leaves households with sufficient money to live on, and assisted by subject subsidy if necessary.

Whilst the literature identified that social housing exists to house those whose needs are not met by the market and that there will always be households that require this assistance, it did not identify the proportion of households affected. Consequently, the questionnaire asked respondents what proportion this might be; the most popular response was ten percent, however the mean response was twenty-four percent and the median was twenty percent. Respondents added that this figure will increase in areas with high house prices and also in boom cycles.

Thus, respondents think that up to twenty-four percent of households cannot secure quality and affordable housing through the market; if social housing exists only to assist these households, and social housing is the only option available to these households²⁵, this suggests a social housing sector that accommodates 6.3 million households, compared to the 3.8 million it does now²⁶.

If and why there is an affordability problem

The literature review left no uncertainty that there is an affordability problem, as evidenced by an increase in housing benefit claimants (particularly in-work claimants²⁷), social housing waiting lists²⁸, households experiencing in-work poverty, households accepted as homeless²⁹ and use of temporary accommodation³⁰. Several causes of the affordability problem were highlighted, such as the credit crisis, rising house prices³¹, market failure³², lack of new supply compared to household formation³³ and a high cost of living compared to incomes, suggesting that the problem is a multi-faceted one requiring a multi-faceted solution.

The impact of this affordability problem is not only an increasing housing benefit bill, but others such as overcrowded homes can be detrimental to educational performance, crime increases in poorly designed and marginalised environments and transaction and production costs increase and regional economies suffer as essential, low paid workers are displaced from centres of economic activity³⁴.

Kate Barker summarises the overall situation well:

“I do not believe that continuing at the current rate of housebuilding is a realistic option, unless we are prepared to accept increasing problems of homelessness, affordability and social division, decline in standards of public service delivery and increasing the costs of doing business in the UK – hampering our economic success³⁵.”

The problem is likely to be further compounded by issues such as the ageing population, increase in single households, welfare reform and increased housing need resulting from the recession³⁶.

The questionnaire asked respondents their views on the reason for the lack of affordable housing, the majority (42.5%) attributed it to a lack of supply, whilst 26.25% said it was due to both a lack of supply and low households income. 28.75% gave other reasons, such as Government policies regarding land, the Right to Buy, subsidy reductions, focus on homeownership, residualisation of social housing and demonization of its tenants, lack of mortgage finance, planning legislation, lack of

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incentives for investment, costly building standards, lack of affordable housing development by private housebuilders, lack of political will and a general lack of a long-term, national housing policy. Several respondents agreed with the literature that there is more than one cause and therefore more than one solution to the affordable housing supply problem.

Therefore, the literature review and the primary research findings agree that a lack of supply is major factor in the affordable housing problem; however, there are other factors to consider and tackle when designing an effective solution.

Why affordable housing subsidy is required

How should the Government subsidise affordable housing provision

This literature review has identified a number of arguments for and against the Government intervening in the provision of affordable housing: because of social responsibility, its importance to the well-being and the welfare of citizens³⁷ and because previous attempts by successive governments to leave housing in the hands of the market, led to an explosion of slum housing and rogue private landlords³⁸. However, Hawtry³⁹ argues that a commercial based system is preferable to a post-welfare state in the long term and the role of Government should therefore be essential, minimal and time-limited, acting as catalytic, not supplementary, nurturing the housing market to become self-sustainable. To balance and conclude the arguments for and against, King⁴⁰ explains that the key question is not markets *or* Government, but rather how much of each is desirable and effective.

The literature highlighted a number of direct and indirect solutions to the lack of affordable housing and discussed the advantages and disadvantages of each.

The Table below summarises the approaches suggested by the literature regarding Government intervention in affordable housing provision:

Table 1: Possible Government interventions in affordable housing provision

Interventions using subsidy	Interventions without subsidy
Object subsidy	Fewer and more flexible planning restrictions ⁴¹
Subject subsidy	Incentivise private investment in affordable housing provision ⁴²
	Address low public sector pay to ensure housing affordability for these groups ⁴³
	Market driven solutions only; remove politically driven solutions ⁴⁴
	Adjust interest rates to control affordability ⁴⁵
	Introduce rent controls to ensure affordability in the rented sector ⁴⁶
	Reducing regulations, e.g. on minimum housebuilding standards ⁴⁷
	Address the unequal distribution of housing ⁴⁸

When subsidies were first introduced, the Government favoured object subsidies to increase supply; since the 1970s policy has shifted to subject subsidies to increase demand as the enormous housing shortages came to an end and the key housing problem was assessed as one of affordability and the solution as lying with the market⁴⁹.

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Whilst many argue in favour of a return to a focus on object subsidies, others caution against it due to the downsides of social housing, such as the constraint on mobility⁵⁰ and high levels of unemployment and low levels of educational attainment⁵¹. Although it is unclear whether the latter is a result of the needs-based rationing system imposed on the social housing sector⁵². Additionally, Webb⁵³ highlights that object subsidies can lead to polarization as they are tenure specific, they limit choice in terms of type and location of housing and they lack of means-testing.

Arguments in favour of object subsidies include, they are more socially and politically acceptable as a Government intervention than a cash payment⁵⁴, they provide great control over the quality and quantity of outcomes⁵⁵, they are targetable and avoid the problems of sub-one-hundred percent take up rates, poverty traps and work disincentives of subject subsidies⁵⁶, they smooth regional market inequalities particularly for low income households in high cost areas⁵⁷ and that over a thirty year time investment in object subsidies rather than reliance on subject subsidies is more cost-effective to the public purse⁵⁸.

However, like King⁵⁹, Webb⁶⁰ cautions that we should not view object and subject subsidies in oppositional terms, but rather look for the balance between them.

Questionnaire respondents agreed (sixty-six percent) that a mixture of direct and indirect intervention is required. However, it was difficult to identify which solution the literature agreed would be either the most or least effective. Therefore, the questionnaire asked respondents to rank 8 solutions proposed by the literature in order of most to least effective; respondents clearly ranked object subsidies highest out of all the proposed solutions.

Table 2: Ranked solutions to the lack of affordable housing, most to least effective

Solution	Rank
Public investment in public housing providers	1
Private investment in public housing providers	2
Increased employment	3
Planning system reform	4
Private investment in private housing providers	5
Increased wages	6
Public investment in private housing providers	7
Increased housing benefit budget	8

The literature supported a subsidy system that offers both object and subject subsidy in appropriate measures⁶¹, however, there was no discussion as to the extent that each should be offered. Thus, the questionnaire asked what percentage of the total subsidy available should go towards subsidising bricks and mortar; respondents said approximately two thirds (mean response sixty-one percent, median and mode seventy percent).

The literature identified that some believe the expansion of social housing through object subsidies is an inappropriate Government response to the affordable housing problem⁶². Questionnaire respondents were asked whether they agreed with these arguments made in the literature; only a small majority (fifty-seven percent) disagreed that the expansion of social housing is an inappropriate solution to the lack of affordable housing given its downsides. However, some respondents agreed with Hills⁶³ that the drawbacks are a result of the way social housing is allocated and also emphasized the need for

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mixed tenure communities. This suggests that some of the arguments against expanding the social housing sector would be addressed through reform of the allocation restrictions and by ensuring developments create mixed communities.

The literature highlighted a number of arguments against Government subsidies as a solution to the affordable housing problem, either because they are ineffective or because they don't tackle the true cause of the problem. If these arguments were accepted by the Government, the result would be the end of subsidies (indeed, object subsidies for social housing have already disappeared). Moreover, Williams et al⁶⁴, argue that the government's long term objective seems to be to create a self-financing social sector.

Consequently, the questionnaire asked respondents if it is a) desirable and b) possible for the social housing sector to become self-financing. In both cases, the majority of respondents said yes (seventy-seven and seventy-one percent respectively).

Conversely, when asked if it is time for the social housing sector and the Government to part ways regarding object subsidies given the maturity and financial capability of the sector, over three-quarters (seventy-nine percent) of respondents disagreed.

These responses are difficult to reconcile as on the one hand respondents agreed that the expansion of social housing is an inappropriate solution and that a self-financing sector is not only possible, but desirable, but on the other hand said the Government should continue to offer object subsidies for social housing, that object subsidies are the most effective response to the lack of affordable housing and that up to seventy percent of available subsidy should be spent on bricks and mortar.

These contrasting findings suggest a number of conclusions:

- object subsidies are the most effective response to tackle the housing shortage
- but the sector recognises the political reluctance towards object subsidies
- the sector believes in this world of ever-reducing object subsidy, a self-financing sector is a desirable alternative
- the sector still wants object subsidies, but not to develop traditional estates of social housing; instead it wants to create mixed communities and to have freedom regarding their allocation
- problems of welfare dependency, unemployment and low educational attainment should be addressed through government policy

These conclusions are important in determining the most effective role the Government can play in subsidising affordable housing; they suggest that the most effective role is providing substantial amounts of object subsidy to the social housing sector. However, the most effective role a Government in austere times can play is to support the sector to become self-financing and to deliver mixed communities.

How the government subsidises affordable housing

The literature review considered the Government's current approach to object subsidies for affordable housing and identified that, for a variety of reasons, since 1975, the Government policy has been to focus on subject rather than object subsidies, most recently demonstrated by the Affordable Rent programme.

The Affordable Rent Programme provides smaller grants and required housing providers to plug the funding gap by charging higher rents and by 'sweating' their assets⁶⁵. Additionally, the private sector is expected to plug part of the funding gap⁶⁶. It is argued that high rates of subsidy are no longer required in a mature social housing sector as loan repayment rates exceed acquisitions⁶⁷ and because

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housing associations are achieving efficiencies through economies of scale⁶⁸. However, it is conversely argued that the Affordable Rent Programme reduces the capacity of housing associations to increase supply and leaves them with a greater proportion of the risk⁶⁹.

The primary research asked whether respondents thought the trend identified in the literature review of ever decreasing object subsidy is likely to continue; a strong majority (seventy-seven percent) of respondents said they do not anticipate an increase in object subsidies at all.

However, some respondents commented that it will have to happen when the housing shortage becomes chronic and there is public outcry. Again this contrasts with their earlier response that a self-financing sector is both possible and desirable.

It occurs to the author that should the Government recognise both the potential of the housing sector to become self-financing and the possibility of public outcry regarding the housing shortage, that the Government will, sooner or later, be calling upon the sector to fulfil its potential. It may even try to shift responsibility for the shortage onto the sector.

Furthermore, whilst ever the sector continues to develop affordable housing, either with or without whatever object subsidy is available from the Government, it suggests that the funding options available are effective.

However, as the literature review highlighted (but not the primary research), there is a correlation between the reduction in object subsidies and the reduction in new affordable housing development. Therefore, whilst a reduced object subsidy model such as Affordable Rent may be judged to be effective in terms of being financially viable for the housing provider and cost efficient for the Government, it cannot be judged to be effective in terms of supplying enough homes to meet demand.

The impact of government object subsidy programmes

The questionnaire asked respondents for details of their development pipeline by tenure type in order to understand the impact of the above described shift from object to subject subsidy; it revealed that the majority of developments will be for Affordable Rent (thirty-seven percent), followed by social rent (thirty-two percent), followed by market rent (twenty-four percent).

The Affordable Rent programme was only introduced in 2011 and already the impact is that over a third of developments will be for this tenure and properties for social rent have been relegated to less than a third of development plans. It's important to note that a similar amount of market rent development and social rent development is planned by the sector; this means that already more houses are being developed for Affordable and market rent housing than social rent. As such, the social housing sector will be contributing to the further expansion of the private rented sector, which has recently overtaken the social rented sector in terms of the number of households it accommodates (3.84 million in 2011-12⁷⁰).

This trend is supported by the literature which highlighted that the current trajectory of affordable housing policy will result in a growing affordable housing sector housing moderate-income, working households, and a static social housing sector housing the lowest income households⁷¹.

The literature raised concerns that the Affordable Rent model may only be short-lived for several reasons, e.g. gearing required from housing providers, the level and continuing availability of private finance required (which excludes smaller housing providers), regulations, requirement for asset growth, unviable markets in the North and Midlands due to low rents and in the South due to high land values, further welfare reforms and the ability of tenants of all income types to afford Affordable Rents⁷². Indeed, for housing associations, it could result in higher rent arrears, increased voids, higher borrowing costs and prioritization of private interests over public interests⁷³; for households, it raises

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questions about who will house them and where, how they will afford the rent (particularly if further action is taken to limit benefit expenditure), the quality of the accommodation available to them, rising spatial inequality and how easily they could escape benefit dependency through employment⁷⁴.

However, as shown above, respondents plan to mainly develop Affordable Rent housing and made no comments that it was an unsustainable model. It is concerning that respondents did not highlight any of the numerous issues identified in the literature; this suggests that either these issues have not arisen, that the sector has not realised these problems are present, that these issues have been appropriately mitigated for or are considered insignificant compared to the benefits gained from developing Affordable Rent housing.

The literature also identified advantages of the increasing use of subject subsidies and private finance, including that it requires housing providers to become more agile, innovative, efficient and flexible⁷⁵. A small number of questionnaire respondents also recognised this: “[it] will drive efficiency, lower bureaucracy and create clear purpose.”

The questionnaire also asked if respondents thought this shift to increased subject subsidies (which they are supporting though their development plans) is resulting in the end of social housing as we know it. The literature review revealed King’s⁷⁶ argument that the move away from object subsidies as the primary solution to the housing problem signals the death knell of social housing, because the housing shortage only required temporary Government intervention until the markets were reinvigorated, which they now are.

Sixty-six percent of respondents either disagreed or strongly disagreed that social housing was a temporary measure required to tackle the post-war housing shortage whilst the market re-established; sixty-two percent of respondents either disagreed or strongly disagreed that the market has now re-established.

The latter response shows that even if social housing was a temporary measure to tackle the housing shortage, the market is not yet re-established so it would still be required currently. Some respondents commented that the market will always fail some, suggesting the social housing will always be needed for these households. This is consistent with their earlier response and the findings of the literature review regarding defining affordable housing. Additionally, respondents highlighted social housing’s pre-war history in arguing against the suggestion it was a temporary, post-war measure.

CONCLUSIONS

The paper has sought to recommend the most effective role that the government can play in subsidising affordable housing.

Thus, a literature review and primary research have been conducted, which have considered:

- why affordable housing is important, including how it is defined, if and why there is an affordability problem and the consequences of unaffordable housing;
- why affordable housing subsidy is required, including the arguments for and against Government intervention;
- how the government can subsidise housing and the advantages, disadvantages and impacts of these approaches;
- the impact of government object subsidy programmes in England, with a focus on the current Affordable Rent programme.

The research found that, whilst definitions of affordable vary, there is no doubt that the market consistently fails to provide a proportion of the population with housing at a price that leaves them with enough to live on. The primary research suggests this proportion is ten to twenty-five percent of the population and that housing should take up no more than thirty percent of a household’s income.

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There is therefore a role for the Government to ensure the needs of these households failed by the market are met elsewhere. The research considered what this role could, has and should look like, something that very much depends on what is considered as the root cause of the problem. Lack of housing supply featured heavily in both the primary and secondary research as a main cause of the affordable housing shortage, which contrasts with the current Government policy focus on subsidising incomes rather than supply.

That said, the research highlighted more than one cause of the problem which therefore requires an appropriate mix and balance of Government policies, which should include both direct and indirect intervention and object and subject subsidy programmes. On the latter point, the primary research suggested a seventy:thirty balance between object and subject subsidies. This is despite the disadvantages of object subsidies and social housing discussed in both the literature and questionnaire responses, as it was felt these can be overcome through more freedom in allocations of social housing and development of mixed tenure communities, for example. As well as this change to current Government policy on subsidies, the research also identified a call for changes to planning and minimum wage policies as other root causes of the problem.

However, whilst there may be a call for seventy percent of available subsidy to be directed at bricks and mortar, the literature review did raise concerns that the Government's long term aim is for the affordable housing sector to become self-financing, indeed, questionnaire respondents said that this is both possible and desirable. Respondents did, nonetheless, still make the case for object subsidy from Government as the most effective solution in the long term to the housing affordability problem.

Although, the research recognised that a return to substantial object subsidy programmes is highly unlikely in the current economic and political climate. As such, programmes that focus on subsidising incomes rather than supply and facilitating private investment such as the Affordable Rent programme are expected to continue. It should be noted that the literature review raised concerns about the viability of the Affordable Rent programme in the medium-long term, although the primary research did not. It is suggested that this is an area requiring further research to ensure its strengths and weaknesses are fully understood and reflected in future Affordable Rent programmes.

Not only has the Affordable Rent programme failed to keep pace with demand but it is also seen as the end of social housing and the beginning of a privatised affordable housing sector. As a result, both the primary and secondary research agreed that what remains of social housing will be reserved for only the most vulnerable and poorest households.

In terms of recommending an effective Government subsidy programme for affordable housing, taken together, the above suggests there is a need for the Government to directly and/or indirectly provide affordable housing for those 6.3 million households not catered for by the market which costs no more than thirty percent of their household income. There is a strong call from the social housing sector for a significant object subsidy programme as this is the most effective long term solution despite its disadvantages, however, questionnaire respondents acknowledged the current political and economic circumstances and reluctantly agree that a self-financing sector is possible. Whilst in some respects the Affordable Rent programme is working as it is delivering new homes, there are question-marks around its ongoing viability and its ability to keep pace with demand which therefore suggests it is an ineffective solution.

Thus, in an ideal world, the research findings suggest providing substantial object subsidies to the social housing sector is the most effective response to tackle the affordable housing shortage, but the sector recognises the political and economic situation prevents a return to large-scale object subsidy programmes. As such, it is suggested that in times of austerity where the cost to the public purse must be considered in constructing an effective policy, there is support for a self-financing sector but with

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indirect Government support, such as policies to tackle problems in the planning process, in-work poverty and mono-tenure developments to ensure there is a multi-faceted solution to a multi-faceted problem. Without this mix and balance of Government intervention, an effective solution is impossible to achieve.

It is, therefore, recommended that the Government introduce a number of policies to achieve this effective solution, including, but not limited, to:

- Provide as much object subsidy as possible to the social housing sector, ideally achieving a seventy:thirty balance of object:subject subsidy;
- Allow the social housing sector more freedom to set rents that are truly affordable for their local communities and to allocate their stock;
- Ensure households can access housing that leaves them with enough to live on after their housing costs;
- Ensure all developments are mixed tenure;
- Review the planning system to identify any required reforms;
- Review the 2011-15 Affordable Rent programme to understand its strengths and weaknesses and ensure future programmes take these into account;
- Develop a mechanism to allow new funding instruments proposed by the sector to deal with the funding gaps;
- Ensure those households (6.3 million) not catered for by the market can access affordable and decent housing
- Recognise that the lack of affordable housing is a supply problem rather than a household income problem
- Devolve the administration of subsidies to a local level to ensure local solutions for local problems
- Enable private sector investment into the social housing sector

Overall, it is vital that the Government provide a long term housing strategy, with cross-party support, that addresses all facets of the affordable housing supply problem.

ENDNOTES

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