Under-occupancy – will it explode?

Written by Matthew Fox, a former housing association Chief Executive and a consultant on retirement housing.

The word "under-occupancy" sounds reassuringly boring and technical. Surely there is no danger for the housing association (HA) sector there? Surely this interests only housing management anoraks?

On the contrary, I think it could be an unexploded bomb just waiting for the new Government to light the touch-paper. This could have particularly dramatic implications for the older residents of housing associations in mainstream 'general needs' housing. Here's why….

At a recent event to discuss retirement housing, I asked the 25 associations present whether they thought that their commitment was to provide "housing for life". To my amazement, none thought they did. That was news to me, and I suspect to many of their residents.

For decades, HA's have thrown about generous phrases like "housing for life" without really having to decide what they mean by it.

In a world of no or limited public money, we are all being forced to define what we do and what we don't do – indeed to define what we have hitherto not bothered to define.

The lack of clarity about our "housing for life" offer has actually been very convenient, because it has allowed us to imply that we have no responsibility to address under-occupancy because residents who are under-occupying have a right to stay put for their lifetime.

But that vagueness looks increasingly unconvincing because of 4 new pressures:

- Many older people who are under-occupying are patently not in suitable accommodation and need to move to more age-appropriate housing. If we really commit to "housing for life", we need to ensure that that age-appropriate housing is available to all our residents who need it. This is a task that most mainstream ('general needs') associations have not begun properly to engage with.
- The public investment that is being "under-used" (or put more controversially "wasted") as a result of under-occupancy looks very hard to justify in a world where many parts of the public sector are facing further cuts of over 30%.

Indeed, there is a case for saying that under-occupancy is the biggest Value for Money issue in our sector. It is astonishing that the regulator has not focused on this. How long can we rely on the HCA continuing to ignore this?

- A government that sees welfare as a temporary support in times of crisis or hardship rather than a permanent crutch.
- A government that wants to improve the links between health, housing and social care using purpose-built housing to take the pressure off over-crowded hospitals where beds are blocked by older people who cannot go back to unsuitable homes.

Where could this lead? If I were the new Housing or Health Ministers looking to squeeze the most out of scarce resources, I might consider the following:

- A targeted focus on under-occupancy to ensure that the sector used its assets better starting with
- A requirement that all HA's publish the percentage of their stock that is under-occupied and an estimate of the capital that is, as a consequence, being under-used/wasted; and
- A requirement that all HA's publish their 'churn' percentage (ie what percentage of your homes do you re-let in a year?)
- And for a Health Minister a requirement that all HA's publish the percentage of their lettings that have gone to people coming out of more costly health care.

Once those numbers are published, it won't take social housing more than a couple of editions to collate them all into a League Table to finger those associations with the highest levels of under-occupancy and the lowest levels of churn. That will force associations to focus in a way that they never have before on reducing their under-occupancy and increasing their churn.

In public policy terms, that focus will be a very big deal because of the ratio of new development to existing stock. The big numbers are as follows:

- There are approx. 4.1 million social homes in England
- In a good year, the sector builds 50,000 new affordable homes and in recent bad years the figure has been more like 35,000 homes
- That means that we are increasing the total stock by between 0.85% to 1.2% each year – call it 1% on average
- By contrast lets from existing stock average 7% across the country
- We would only need to increase our churn of existing stock by 15% in order to create as many additional new lets as the whole of the new development programme and obviously at a fraction of the cost.

My guess is that most associations would be able to achieve the 15% with ease, but it will require a fundamental change of mindset and leadership. Chief Executives have traditionally boasted to each other about their low rate of churn. That approach needs to be flipped on its head. General needs will have to borrow some of the mindset of supported housing, where “move-on” has been a core part of the service for many years.

With an increasing demand on better quality housing to meet an ageing population, all of this is likely to force housing associations to build far more retirement housing, which is a good thing but Government will be faced with some difficult decisions about how much of this step-change is to be achieved by carrots and how much by sticks. The carrots and sticks may not be just for landlords but also (and here the politics and the ethics become even more explosive) for their under-occupying older residents.

My advice? Don’t wait for this issue to explode but get an action plan in place now before the whistle blows and you end up at the bottom of that Social Housing league table.

Published by the Housing LIN on 9 July 2015