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One social housing provider or more? Comparing organisations and contexts in Austria, Denmark, England, France, Germany, Netherlands and Sweden

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Abstract

One social housing provider or more? Comparing organisations and contexts in Austria, Denmark, England, France, Germany, Netherlands and Sweden

This is a comparative study with a focus on the political economy of an administered housing market. Among countries in the European Union with both a long history of social housing and a comparatively large social stock, two dichotomous situations occur. EU members such as Denmark, Netherlands and Sweden have essentially one dominant form of social rental housing for low income groups. Other member states, such as Austria, France and the UK have many social landlords.

This paper explores the above dichotomy and asks: what can be learnt by comparing the dominant landlord model with the multiple landlord model of European social housing? A review of official administrative data for each setting and associated academic literature supports the following main discussion points:

1. The typology, legal definitions rules and regulatory regimes; and *raison d'être*, profit, surplus or social criterion
2. Ways of including owner occupation into social housing
3. Boundary issues ; means of access and possibilities of inter organisational support
4. Competition and cooperation for financial resources and for tenants
5. Applicability of economic theory and quasi market models of a social market

In England the recent proposal to change the funding basis for council housing and the impact generally of the shortage of credit is a key context (2008-09 Department of Communities and Local Government's Review of Council Housing Finance and Rents Policy).

There is a lack of a solid economic theory to characterise multi provider and single dominant models within administered social housing systems, but an empirical approach has considerable merits arising from evolutionary practices with private market and non-market initiatives in the EU.

The conclusions point to 'organisational learning' taking place when 'competitive change' occurs in housing system environments, which can inform housing policy.

Keywords

European social housing, single dominant provider and multi-provider.

Introduction

The two significant findings that marked the starting point of my investigation appeared in a series of empirical observations for England from an analysis of the provision of social housing in EU contexts:

The outstanding feature of other countries ...is the near absence of social rented housing owned *directly* by local authorities (my emphasis)...there is no single model of social rented housing.

Stevens M Burns N MacKay L (2002:15)

From their exploration of 6 countries, Stevens et al (2002:46) concluded that a variety of organisations could provide social housing but both the local authority monopoly and the private landlord market should be avoided when reforming social housing. The historical roots of such organisations in Austria, Britain and France had been within a model of national state provision, administered within local; authority districts. These countries currently had several forms of provision. Diverse new organisations had been devised within each setting as vehicles for providing subsidised housing but the original model had been left intact. On the other hand three other countries, with a relatively high proportion of social housing; Denmark, the Netherlands and Sweden also could be characterised by one dominant model of social housing.

Which is the preferred system; the single dominant or the multiple provider? Among the considerable literature on forms and functions of social housing and affordable housing in Europe, there is an absence of a comparative treatment of housing from the perspective of the organisation within its social and political environment, linking microeconomic and social theory. Such a treatment would have links to classical economic theory of the firm but extend beyond a pure business model towards a non profit making ethos.

In 1996, the overall housing policies of the then EU15 were reviewed and placed into four groups:

1. *The Netherlands, Sweden and the UK are characterised by much state intervention. These countries have the largest social rented sectors in the European Union and their governments spend more than 3 per cent of GDP on housing policy.*
2. *In Austria, Denmark, France and Germany there has been less market displacement and large private rented sectors have been retained. Public expenditure on housing policy typically lies in the range 1-2 per cent of GDP.*
3. *Ireland, Italy, Belgium, Finland and Luxembourg form a disparate group, but all have large owner occupied sectors and relatively small social rented sectors. Government expenditure on housing is usually limited to around one per cent of GDP.*
4. *Portugal, Spain and Greece have particularly large owner occupied sectors, minimal social rented sectors and (until recently) declining low quality private rented sectors. Government expenditure on housing policy is less than one per cent of GDP.*

(EU Parliament 1996:1)

Since the mid 1990s there has been a decrease in the ratio of housing expenditure within general government expenditure in the first two groups (see for example as measured by public expenditure by function in Eurostat 2006:5). These broad groupings however still distinguish housing systems of the mature welfare states in northern and western Europe.

In Austria, Ireland and UK local authority landlords were then prevalent, whereas in other jurisdictions there were a wider range of agencies providing rental housing. The 1996 study identified further that in general interest subsidies were used to fund social housing. Only the UK had recurrent income subsidies for local authorities (the HRA funding system see case study) and direct capital grants for housing associations. Regulation by government and quasi government organisations of the local authority and housing association sectors was also judged to be unique against a general pattern of local authority supervision.

The new member states occupy a different social, political and economic milieu; within the eastern bloc countries post war state planning was dominant and replaced after 1990 by profound liberalisation. Topics separated out by the speed of transitional housing privatisation into 'rapid' such as Hungary and Slovenia and 'slow', such as the Czech and Polish Republics. The new members after 2004 are less amenable to comparison with policy choices in the UK than the above grouping.

There is a case to identify among EU mature welfare states the significance of the form of provision using the multiple provision versus one dominant provision as a distinctive device to analyse patterns of housing provision and then make links with selected literature from the political economy of welfare and housing. These provision models applied initially only to states with more than 17% social housing, so to broaden the analysis Germany has been added to account for the special and limited nature of its housing subsidy instrument.

Jim Kemeny (1995) developed an overarching thesis concerning modes of integration or differentiation within housing provision systems, contrasting social democratic welfare states such as Denmark and Sweden with unitary and integrated systems of provision in Liberal states such as New Zealand and Britain. In essence, the central role in Kemeny's system lies with government in promoting or limiting cost renting. Liberal states restrict the extent of competition between profit renting and cost renting resulting in a 'ghettoised' social housing market and growth in private profit renting and owner occupation dual provision (and stricter demarcation between profit and non-profit rented housing). Social democracies persist in promoting cost renting and profit renting as alternative tenures and this releases the pressure towards growth in owner occupation. Tenure neutrality has a link with Kemeny's system, augmented by recent attempts to model statistically the effects of taxes and subsidies (Thalman 2007) in order to better inform taxation policies.

Whilst Kemeny focused on the dominance of a socially constructed policy strategies on rental systems and, Julian Le Grand (2007) approached the question of how public services are best provided in a mixed economy from a market orientated perspectives of economy, efficiency and equity. Le Grand conceptualised failed models of trusting professionals and central planning that should be replaced on the basis that services centrally financed by the state should be of high quality –and therefore separately regulated- and designed along lines

derived from market analysis to respond to end users. Competition and choice - that clients could choose from a range of providers- has been the hallmark of transforming public services in the British cases of health, education and the social service (Giddens 2007). The rhetoric of choice and competition accompanied the transformation of the housing systems throughout Europe. Public choice theory was the principal tool to re-design social housing from 1980 in Britain, based on increased competition between providers and improved consumer information (Oxley 2004:125).

A Thought Experiment on Comparative Analysis of Landlord Power

The classical economic perspective in analysing the single provider model would find the imbalance of power significant and might conclude that the multiple provision model was a better way for allocation of resources and closer to optimal allocation. However, there are three countries with three different contexts for the former and four countries in the latter situation. It is possible econometrically to analyse the dominant sector using the tools of concentration analysis to obtain an estimate of the extent of domination by the single landlord model (techniques developed in the 1960's by Herfindahl and Hirschman). An analysis of concentration over time at a national level could prove to be a powerful indicator for the impact of the introduction of new actors (ALMOs in England or institutional investors in Germany). Such analysis at the level of the local authority district could provide a method of measuring the relative monopoly power of each landlord type. It is also possible to analyse the multiple provision model but the indicators would automatically show lower monopoly power scores. The H score would be loaded against the single provider case. In reality, housing is not only a private good. There are issues in which competition between social landlord and private landlord, owner occupation and co-operative tenure occur, and the nature of rent setting, comparability of housing services provided by social landlords with the private sector services. Rents of housing companies in Sweden are key benchmarks of the private rental market. In the Netherlands, housing association can build apartments for owner occupation and for up market rents and there is competition with private rental and new build developers. Many externalities of housing markets are undetectable.

However, an experiment within the single provider members and a separate experiment within the multiple provision countries are likely to provide a less biased measure of social rental power as part of a wider and more holistic assessment of the functioning of social provision. This paper recognises relationships across tenure categories but discusses the cleavage between a common typology of social housing leading into an outline of how social housing organisations might be characterised in terms of 5 conditions:

1. The typology, legal definitions rules and regulatory regimes; and *raison d'être*, profit, surplus or social criterion
2. Ways of including owner occupation into social housing
3. Boundary issues ; means of access and possibilities of inter organisational support
4. Competition and cooperation for financial resources and for tenants
5. Applicability of economic theory and quasi market models of a social market

1 The typology, legal definitions rules and regulatory regimes; and raison d'être, profit, surplus or social criterion

Table 1 Stock by Tenure Summary 2007

	%	%	%	000s
	Private	Social	Owner	Total
	Rented	Rented	Occupied	Stock
Austria	20	23	57	3,280
Denmark	27	21	52	2,634
France	19	14	67	30,000
Germany	51	6	42	39,000
Netherlands	11	35	54	6,811
Sweden	21	20	59	4,351
United Kingdom	9	20	71	25,617
England	12	18	70	22,128

Sources: Table 1.3 CECODHAS USH DEXIA survey. England from DCLG (2007)

Note: These percentages are approximate and rounded.

The UK (including England) is distinct within Europe by virtue of a relatively high level of owner occupation together with a relatively high social sector but low private renting. Germany is distinguished by the size of private renting, the small scale of social housing and relatively low owner occupation level (see Kirchner 2007 for details). Other European countries in the table are characterised generally as possessing larger shares of private renting than the UK. These initial summaries are surface features which require considerable qualification. There is no universally accepted definition of 'social housing'. In the extensive literature various formulations are offered to handle the task of comparing European states. Harloe (1995:3) provided three key features of such provision:

'It is provided by landlords at a price which is not principally determined by a consideration of profit... non-profit or limited profit status...

It is ...allocated according to some conception of housing need' and

'The quality and quantity of provision is influenced by government policy'.

When considering agencies in western and northern Europe my preference is to follow Harloe's broad demarcation along three dimensions. In relation to Austrian social housing, Deutsch (2006) focused on the goals of housing organization, taking 'the institutional approach' with a judgment based on the legal status on the nature of the organization owning and managing the stock. To Deutsch, social housing is managed by specialist agencies such as municipal companies, non-profit corporations or associations with a legally endorsed objective to provide affordable dwellings. In a comparison of French HLMs with housing in Britain, the Netherlands and in Sweden, Tutin (2008) also uses an institutional model based on the legal status of organizations.

This approach is sufficient for the current purpose of discussing social housing rent policies and broad matters over public and private finance for social housing, but will be qualified. Kirchner (2007:88) stated that in Germany 'social housing is subject to rent control and access restrictions which the owner has to accept in return for subsidisation' but this reflects a unique time limited context not found in the other member states. In Sweden there is a political objection to the term 'social housing' on grounds that there are no income limits so the preferred term is public housing. In addition, Swedish law does not recognize owner occupied flats in multiply family properties and older co-operative flats tend to function like housing company flats (Karlberg and Victorin 2004:64); an example of how tenure labels are not fixed and subject to change over time.

The complex ways that the term 'social housing' is used in the selected members can be demonstrated in the following table. However within the broad institutional context, the national terminology at the organization level is the key to a cross national classification. The potential application of the dual and unitary market rental analysis is then possible on a comparative cross national basis. Where there is one main provider, Kemeny's theory can explicate the extent that competition exists between the main provider and the private rental landlord and the extent to which rent setting and legal controls structure the relationship between cost and profit renting that

In addition the quasi market perspective on efficiency the ways in which this is achieved under different regimes is also a powerful device to unpack the economic character of cross market relationships. The quasi market approach takes account of rent levels and demand factors within and between social; housing and private rented housing.

Table 2 Classification of Social Housing Rental Models in 7 EU Members

Single Dominant Social Landlord

Denmark

Estate based housing company almene boliger

Ownership/rental Co-operative andelsbolgföreningar

Netherlands

Housing Association Woningcorporaties

Sweden

Municipal company Bostadsförvaltning

Co-operative Bostadsrätt (Tenant Ownership model)

Multiple Landlord Provision

Austria

Municipal Ownership Gemeindewohnungen

Ownership /rental Co-operative

Limited Profit Company

Renting/ownership Independent Agencies

England

Municipal ownership ‘Council Housing’

ALMO wholly owned municipal company

Traditional Housing Association

Stock Transfer Housing Association

Small co-operative sector

France

HLM Sector Habitation à Loyer Modéré

HLM owned by local authorities

Limited profit companies and co-operatives

See Notes and Lafont (2008:68)

Germany

Municipal Housing Companies

Not for Profit Companies

GdW Wohnungsunternehmen

(Rental and ownership) Co-operatives

Limited profit Housing Associations

Sources: CECODHAS (2007); Karlberg and Victorin (2004) Kirchner (2007:93); Stevens et al (2002:16)

In Europe the ownership and functioning of social housing is varied, but some countries have a single dominant legal form for rented social housing, while other countries have heterogeneity. Both Sweden and Denmark have one dominant legal status; the Swedish form is distinct that the ownership of the municipal company lies wholly with a local authority, whereas the Danish developed an estate-based 'not for profit company' on highly democratic lines. In addition, co-operative ownership is a significant alternative tenure in both Sweden and Denmark and has aligned with owner occupation. The Netherlands has 'housing association' as the dominant legal status and unlike Nordic countries there is no sizeable co-operative sector.

Austria and England have retained direct local authority ownership as part of a wider range of landlords. France's stock ownership is evenly split between the specialist HLM sector, (located in communes or larger districts) and limited profit companies with other public private partnerships and co-operative forms. Germany has a multitude of landlords, reflecting the time limited nature of state and regional subsidy terms and the strength of the private renting sector.

2 Ways of including owner occupation into social housing programmes

Currently in many member states of Europe social housing and owner occupied housing are built in a parallel process. It is important to make the distinction between member states which are able or unable to incorporate forms of ownership into their overall housing supply policy. In Austria, a high proportion of new housing is funded through grants (Amman 2004) and it is an example where associations have built housing for both owner occupation and for rent (423 co-operatives with 238,000 rental and 110,000 owner occupier stock and 267 limited profit housing associations with 267,000 rental stock and 135,000 owner occupier stock in 2007). France exhibits less dramatic figures but the social sector does contribute to home ownership and share of direct supply subsidies to owner occupation remained constant over the period 1984-2004 (Tutin 2008). In England capital grants are available for renting and forms of ownership and the share of low cost home ownership gradually increased in the last 10 years to 42% of funding (Housing Corporation 2007/08).

The three countries with a range of agencies therefore have a national housing policies which support social housing that also contribute to the growth of home ownership. The relative importance of support for owner occupation has been enhanced in recent years. The Danish social housing sector of democratically elected and estate based housing associations does not generate owner occupied housing (Scanlon and Vestergaard 2007). Although Swedish municipal housing is subject to sale to investors following a decision by the municipality, there is little new build for sale. However, the Dutch housing associations (effectively

independent of direct state funding) produce dwellings for both owner occupation and profit renting (Gruis and Priemus 2007). Discussions between the Dutch government and the housing sector have led to rebalancing changes in the extent that associations provide for the market as against target groups. The concurrent production of new build for profit rent and new build for ownership, including shared ownership or shared equity creates major problems for an analysis of market intervention. The analysis model concerns the substitution of private development and capital risk for public investment. Increasingly, the social sector is dependent on private loans rather than low interest subsidies or capital subsidies, so the magnitude of public investment is low compared to private investment. In addition with the collapse of private development arising from the 2008 recession and the drying up of credit facilities, private schemes that in 2007 were viable were reappraised at a loss. The definition of market failure was influenced by the system failure of the banking sector.

Housing providers have developed robust funding viability models in England and the Netherlands based on assumptions of inflation, interest rates and the generation of future surpluses to offset costs, including loan interest. Funding viability models developed for ownership and profit renting can be revised on the basis of new inflation and lending criteria, but there is volatility in the current financial climate.

3 Boundary issues; means of access and possibilities of inter organisational support

There is little cross national research on entry by new players into social housing. Single country sector analyses of the existing structure have been published in Netherlands (CFV 2008) suitable for making international comparisons in some limited ways such as the size and distribution of certain categories of housing association.

However many categories of organisation need to be re-defined and common terminology agreed. See Table 3 from the recent sector study from the Netherlands. Research data for England (Housing Corporation 2009), covering the whole of the housing association sector is limited in many ways and requires the addition of the municipal owned and municipal company sectors for a more comprehensive exploration of the totality of social housing. Group structures have emerged where there are financial interdependencies created to reduce corporation tax liability.

Data for Germany is problematic (some is available relates to the acquisition of different sectors of social housing by new investment groups (Schätzl 2007).

In practice it is possible by survey to merge some of these data sets for comparative purposes in order to gauge the extent that there are barriers of entry by new organisation.

In both England and the Netherlands there are a few very large players and groups by virtue of their size can dominate whereas the sizes of the Danish and Swedish sectors is declining in terms of numbers of organisation which has an impact on the relationship between cost and profit renting under the unitary and dual model conceptualisation.

Table 3 Profile of the Dutch Housing Association Sector in 2007

	Woningcorporaties			New Build	
	Number	Stock	%	03-Jul	%
0-500	63	15500		1	400
500-5000	256	575600		24	29200
5000-10000	81	574200		24	26100
10000-20000	35	494700		21	21600
>20000	20	743900		31	27100
	455	2403900		101	104400

Source CFV (2008) table 2.3:18

Student housing	42900	200
Elderly housing	82900	2200
Large restructuring corporation	575100	24100
Medium and smaller restructuring corporation	455700	16200
Average profile	439500	11400
Average profile with emphasis on a family houses	200400	5300
Average profile with shrinking portfolio	36700	5800
Corporation with relative recent stock	41100	800
Corporation sensitive to market changes	309400	13900
Corporation with stable portfolio	115100	900
Remaining (good to share)	5000	300
	2303800	81100

Source CFV (2008) table 2.7:21

4 Competition and cooperation for financial resources and for tenants

Housing finance support systems for social housing are variable in design. Stevens et al (2002) highlighted the rare English system for new build based on housing associations bidding for limited capital grants which are earmarked by central government. Other financial support systems depend on guarantees and interest loans. The extent that housing organisations can cross subsidise is a key area of difference in some rental systems. The highly democratic Danish housing companies have estate budgets and are prevented from supporting each other whereas cross subsidy is possible between the Dutch associations (Stevens 2002).

Julian Le Grand (2007:42) espoused a model of choice and competition based on

- Principle of autonomy following Weale's concept of 'deliberate and purposive user'
- Promotes responsiveness to user's needs and wants
- Provides incentives for providers to provide high quality and greater efficiency
- Is more likely to be equitable than the alternatives.

The choice and competition notions prevalent in reforms of the social housing sector can with some difficulty be unpacked through access to stakeholders at local and national levels. Considerable problems of interdependency exist in applying such concepts. Autonomy in one context such as an option for a tenant who is adequately housed through Right to Buy implies loss of autonomy in another context such as waiting time for housing when homeless. There is considerable existing research on forms of participation in all these contexts.

It is possible to develop a narrative for the dynamics of these rental systems over time from administrative data sets and the views of observers to build up the emerging patterns for single dominant and multiple provision systems and apply the two theoretic frameworks.

5 Applicability of economic theory and quasi market models of a social market

It is through the discipline of historical research which generates the range of insights that matters in this discussion. Kemeny's is a political formulation; the centralised power structure which is necessary to adapt tenancy relationships or funding mechanisms at a macro level. Government policy is not always explicit on the motivation for actions, so the policy process is reviewed historically and competing narratives are offered.

The discipline of economics is powerful in both abstract theory building and statistical modelling but limited through the process of summarising measureable variables in a complex world. Market failure is an abstract notion and the definition of market failure is generally not amenable for precise specification. Housing markets in particular are not always amenable to crude modelling.

Whitehead (2002:141) explains that housing is subject to market failures, which produce sub optimal resource allocation and that such failure is part of the rationale for government intervention but offers a method to resolve this dilemma. She asked whether administrative allocation can overcome market failure or create an equally undesirable impact.

An early economic formulation for social housing as a quasi-market can be found in Bramley (1992). He reflected on the three waves of privatisation of councils housing in Britain- Right to Buy, stock transfer and new development by Housing Association-distinguishing three sets of options for social organisations: investment on new development, the allocation of empty

properties to new residents and the management of assets. The Le Grand idea of a quasi-market fitted investment and allocation but not management of assets (1992:156). However, it is argued here that the role of a public sector organisation is directly impacted by legislation and regulation so that a purely administrative market characterised by monopolistic provision can be transformed into a quasi-market.

6 Conclusions

In the previous discussion the suggestion that a single dominant rental structure at the level of a member state was distinguishable. Such a model of housing provision takes the form of monopoly provision where the cost of the service and the nature of the service are subject to government control.

The second alternative provision in states which have diversified their landlord comes in the form of a multiple provision, There is some degree of competition between these landlords there are different legal entities on a continuum from public to private and there is some degree of mixed funding.

Narrow classical economic reasoning suggests that the diverse landlord system is more likely to give optimal resource allocation. However the alternative approaches offered by rival conceptualisation of housing markets by Kemeny and Le Grand enable a tantalising experiment to be carried out across these large European States. Do the social rental systems conform to quasi-market models? Is this compatible with a political historic analysis of role of the state in housing provision?

Some of the dilemmas and the potential for discovering answers have been touched on in this paper.

English Case Study

1 Housing Revenue Historical Context

Since 1919, English councils have been required to keep a Housing Revenue Account as a record of income and expenditure for the housing stock under their management. The HRA was based on a deficit subsidy, so that councils did not need to budget for a large surplus but merely to break even with the subsidy added to rental income against expenditure for management, maintenance and loan charges.

During the 1930s and in the 1950s and 1960-75 waves of development of 'mass housing' across the country took place generating debt; some of the debt repayment was a charge to HRA. Local government practice was to take out a loan over 60 years, so there is still a debt burden from end of WW2. HRA was essentially both a subsidy for the production of new council houses (meeting the loan charges) and a means to keep rents lower than market levels. The HRA system enabled councils to pool the total rent charge across the whole stock

so the rent charge of new properties were ‘cross subsidised’ through the pooling system by higher rents charges for older properties.

The 1974 Housing Act introduced rent rebates for council tenants and rent allowances for housing association and private tenants in a unified national system. There was separate means tested financial support for tenants and a separate system for owners with a mortgage, who could then receive Mortgage Tax Relief and there were Income Support benefit if the mortgagee became unemployed or sick.

The Conservative government’s attitude in 1980s was hostile to a system perceived as at least inefficient and potentially corrupt (where the Labour government subsidised rent payments of its own supporters), who were low income households in central urban districts. Under the 1980 Housing Act, the councils’ power had been undermined effectively through RTB (Williams 2002) and at the same time a capital receipt windfall had been created to reduce the governments’ debts and enable tax concessions to be disseminated. In 1988 housing associations were championed for new social housing (see for example Henney 1986).

Table 1 Pre 1989 HRA

Income	Expenditure
Rent	Management
HRA subsidy	Maintenance
Rent Rebate subsidy	Debt charges
Rate Fund subsidy	
Local Property Tax	

How did the government influence rents and take management and maintenance into account? It was the gradual invention in the 1990s of a notional HRA for every local authority, which had government targets for the key components. This shadow account was manipulated to provide crude incentives and disincentives for councils and determined their rents, management costs, maintenance costs and debt levels.

2 1989 Reform of Council Housing Finance in England

Before 1989 there was an HRA system in which councils’ expenditure was subsidised through a revenue grant from Department of Environment, a predecessor to the current Department for Communities and Local Government. This system was criticised on a number of counts; primarily councils’ apparent lack of accountability for subsidising their council housing expenditure using HRA subsidy, Rent Rebate (Reimbursement of Rent Allowances and Ratepayers’ funds (use of local property taxes).

The government’s argument was essentially that Birmingham City Council could subsidise the poor performance of its Housing Department with rate funds (local property taxes) as well as receiving HRA subsidy from central government. A third subsidy, the Rent Rebate was a means tested income based person subsidy paid to tenants but through the council, so councils also received an equivalent sum to cover council rent rebate. It was an argument

about poorly targeted interacting subsidies with the result that the rent paid by tenants did not reflect the cost of housing services. Housing Department management costs were immunised from business reality. The government believed that councils should have a system of social housing finance based on clearer accountability and move to a business environment. The 1989 Act introduced ring fencing, preventing the practice of diverting rate payers' funds into the HRA. In addition, the Rent Rebate subsidy was brought into the overall calculation for government subsidy as the HRA subsidy could be *negative* so that if councils were judged to have low rents and high M and M costs, then the subsidy from Rent Rebates could be offset (or clawed back) by a compensatory reduction in HRA subsidy. Councils were also required to budget for a surplus.

Table 2 Post 1989 HRA

Income	Expenditure
Rent	Management
HRA subsidy (+/-)	Maintenance
Rent Rebate	Debt charges
(Housing Allowance)subsidy	

Other changes included controls over the re-use of capital receipts and general tightening of controls including definitions of capital as 'work enhancing the market value of the stock' – double glazing or central heating for the first time rather than any repairs bundled into a large package.

The net result was that councils were encouraged to become debt free, in which case they were outside the HRA controls. Councils with high RTB sales were sometimes advantaged over those with low sale receipts. Metropolitan urban authorities had considerable difficulty with this system and overall there was a continuing tendency for stock transfer to take place throughout the 1990s.

In 1997, when Labour came into power there was a concerted campaign from its supporters to reform the capital funding system and under Nick Raynsford as Minister for Local Government which resulted in some release of capital receipts to enable more LA capital spending. However, under the resolution for spending over 1997-99, housing public sector was effectively capped at Conservative levels. The Green Paper 2000 set out a new framework for the Housing Revenue Account and there was a plethora of papers over 1999-2003 (ODPM) produced on council's expenditure, covering Resource Accounting: compatibility with RSL and a more business asset managed HRA. This is the origin of the HRA Business Plan.

The Major Repairs Allowance, (MRA:) a new subsidy to enable councils to plan a programme of repairs over 10 years coupled with a minimum standard for social housing, the Decent Homes Standard.

A national formula based on capital values and average income levels, Rent Restructuring: was implemented so that housing associations and council rents converged over 10 years.

Table 3 2004 HRA

Income	Expenditure
Rent	Management
HRA subsidy (+/-)	Maintenance
MRA subsidy	Debt charges

The offsetting arrangement where Rent Rebate subsidy was offset by a negative HRA subsidy was abandoned. HRA subsidy could still be negative in order ‘to pool’ total HRA resources and target the two subsidies. In theory the reformed system by 2004 met the various aims of the Labour Govt and should have created a business –like sector for council housing; so that the HRA was on a par with RSLs and LAs could develop forward investment plans.

By 2008, HRA system had the effect of siphoning funds from 156 authorities back to DCLG and enabling only 50 councils to have positive HRA subsidy. There are far more losers than gainers in the system of redistributing excess HRA among the 206 retained councils. According to Partridge (2008) the acceptance of ALMOs as a wholly owned subsidiary company that enabled the re-emergence of a social tenure not quite council housing on the traditional model but resurrected for the 21 century. Technical differences between the accounting conventions are still considerable and the perception of tenants in Cambridge, the worse case is important politically. In addition the credit crunch has scuppered the government plans for associations to build on a large scale, so councils now want to be given funds to build after a gap of 20 years.

3 Summary of Context for Self-funding Debate in 2008

The majority of income available for spending is outside the HRA funding machinery so the current system is becoming superfluous. An absence of link between rents and expenditure is one result, so that the current system is not enabling clear signals to be provided to consumers. There are difficulties in adjusting allowances when rents are rising rapidly and considerable volatility of re-distribution of surplus HRA. There is a perception (among stakeholders) it is not fit for purpose. Certainly housing managers do not feel this allows them to engage in long term planning (Partridge 2008).

Notes

Lafont (2008) refers to the following organisations recognised in France:

- 1 Public agencies-offices publics de l’habitat

- 2 Not for profit limited companies SAHLM
- 3 Limited cooperative companies of collective interest for HLM
- 4 Limited credit companies for real estate and foundations for HLM
- 5 SEM-local companies of mixed economy

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