THE SOCIAL HOUSING CYCLE:

LETTINGS AND HOMELESSNESS IN WALES 1980 – 2005

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INTRODUCTION AND SUMMARY

The existence of a cycle in house prices in the housing market is familiar.

This paper suggests that there is also a cycle in the supply and demand for social housing which tracks the house price cycle, but in an inverted relationship.

In the downswing of the housing market cycle, as real house prices decline, supply in the social housing sector increases. Turnover rises, creating an increase in the number of net lettings to new entrants. At the same time, mobility within the sector increases with a rise in the number of transfers.

As supply increases, demand slackens. The numbers of applicants registered on housing waiting lists falls, and the numbers of households presenting as homeless, accepted as in priority need, and rehoused, reduce.

The social housing cycle turns as house prices increase in the housing market. As real house prices increase, fewer households leave the social housing sector and the number of net lettings to new entrants declines. At the same time, mobility within the sector reduces, with a fall in the number of transfers. As mobility reduces, the proportion of tenants moving by arranging mutual exchanges increases.

However, as supply reduces, demand increases. The numbers of applicants registered on housing waiting lists rises, and the numbers of households presenting as homeless, accepted as in priority need, and rehoused, increase.

The reasons why the number of households which are judged homeless and in priority need has tended to rise when the market price of housing has risen are not well understood.

- It may be that sharp increases in house prices affect the availability and price of accommodation in the private rented sector sector to which potentially homeless people would otherwise have recourse, as owners are encouraged to sell.
- It may be that the declining supply of available lettings encourages a behavourial change on the part of applicants as they seek to maximise their chances of being offered a letting by presenting via the homelessness route rather than the register.
- Rapid increases in house prices may also have a psychological effect on family and friends, in reducing their willingness to continue to offer accommodation to lodgers whose prospects of moving to their own accommodation within the foreseeable future are diminishing.

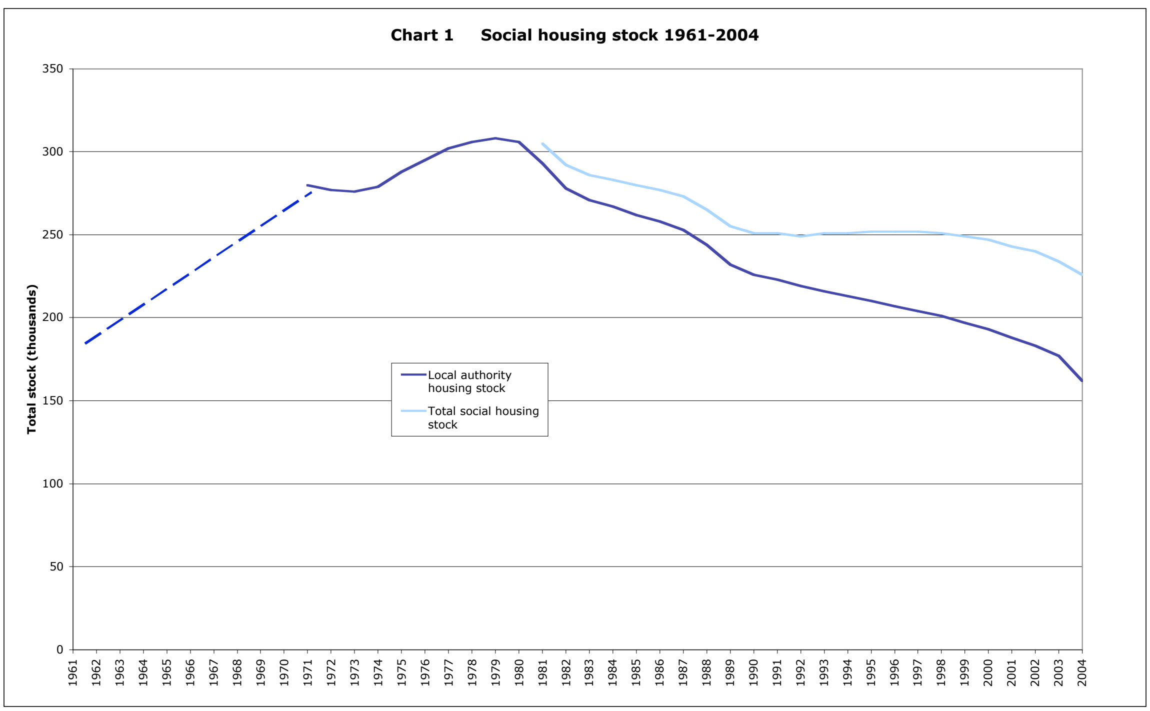
SECTION 1

The housing market and the supply of lettings in social housing

Declining social housing stock

Over the past twenty five years, the resources available to social landlords in Wales have shrunk dramatically. In 1980, local authorities owned 306,000 homes, while housing associations owned a further 11,000. By 2005, the local authority stock had shrunk by nearly a half, to 158,000 (including the transfer of 6,398 properties by Bridgend to Valleys to Coast). Meanwhile, the stock owned by housing associations had grown to 65,000 (including the 6,398 properties transferred by Bridgend to Valleys to Coast). Over the twenty five years, the total social housing stock shrank from 317,000 to 223,000, a fall of 30%.

Chart 1 below shows the extent of the reduction in the housing stock available to social landlords:



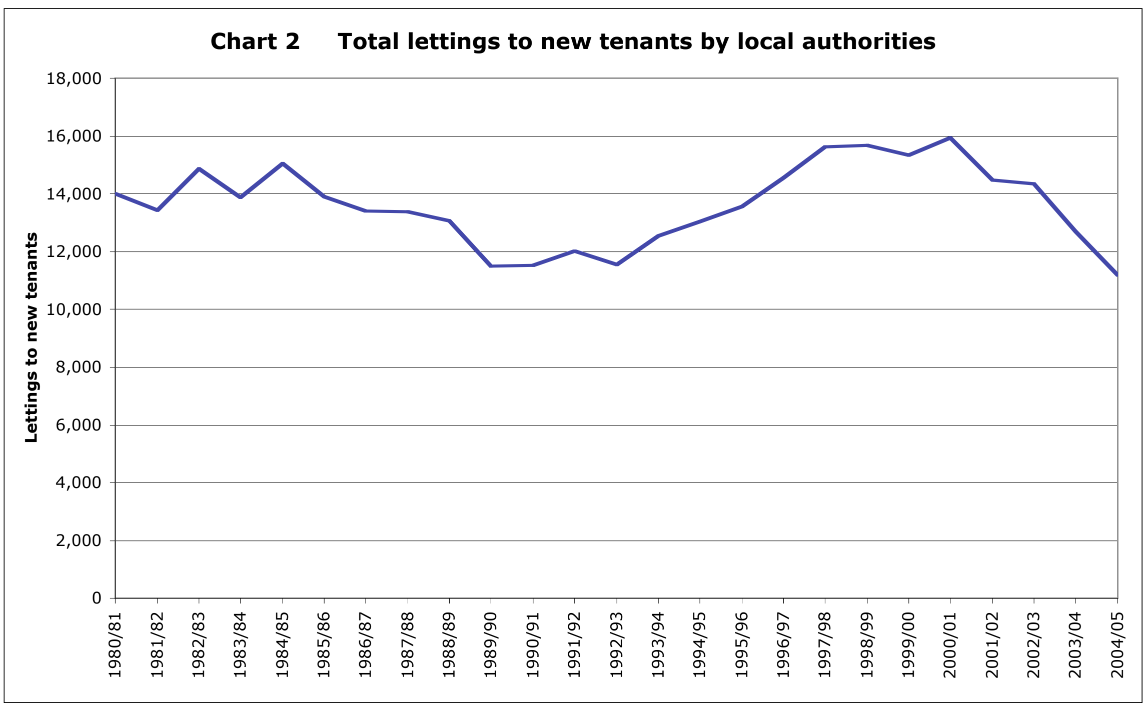
Note: Local authority stock figures are shown from the 1961 and 1971 Censuses. Housing association stock was first separated from the rest of the private rented sector in the 1981 Census.

The local authority housing stock is now smaller, at 158,000, than it was in 1961, at 185,000, while the social housing stock as a whole is smaller, at 223,000 than the local authority sector alone in 1971, at 276,000.

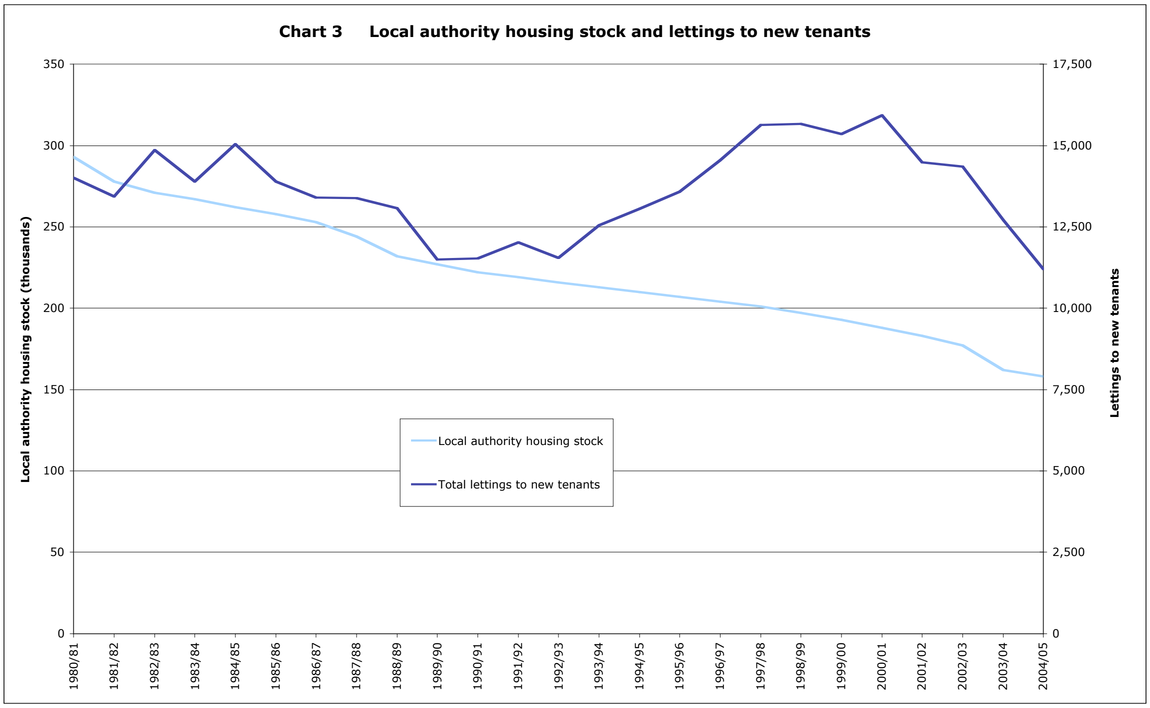
Declining stock, but fluctuating lettings

Despite the decline in the size of the local authority stock between 1980 and 2005 , the number of lettings to new tenants was actually higher between 1996/97 and 2002/03 than it had been in the early 1980s.

Chart 2 below shows that the total number of lettings to new tenants remained relatively stable between 1980/81 and 1985/86, before declining to less than 12,000 per annum between 1986/87 and 1992/93. Lettings then rose from 1993/94 to 15,639 in 1997/98. The number of lettings was then roughly stable, reaching a all time peak of 15,933 in 2000/01, before declining again to a new low of 11,196 in 2004/05.



Over the whole period, from 1980/81 to 2004/05 the total number of lettings to new tenants had averaged 14,060 per annum, at a time when the available local authority stock had declined from 306,000 to 158,000, a fall of 49%, as shown in Chart 3 below.



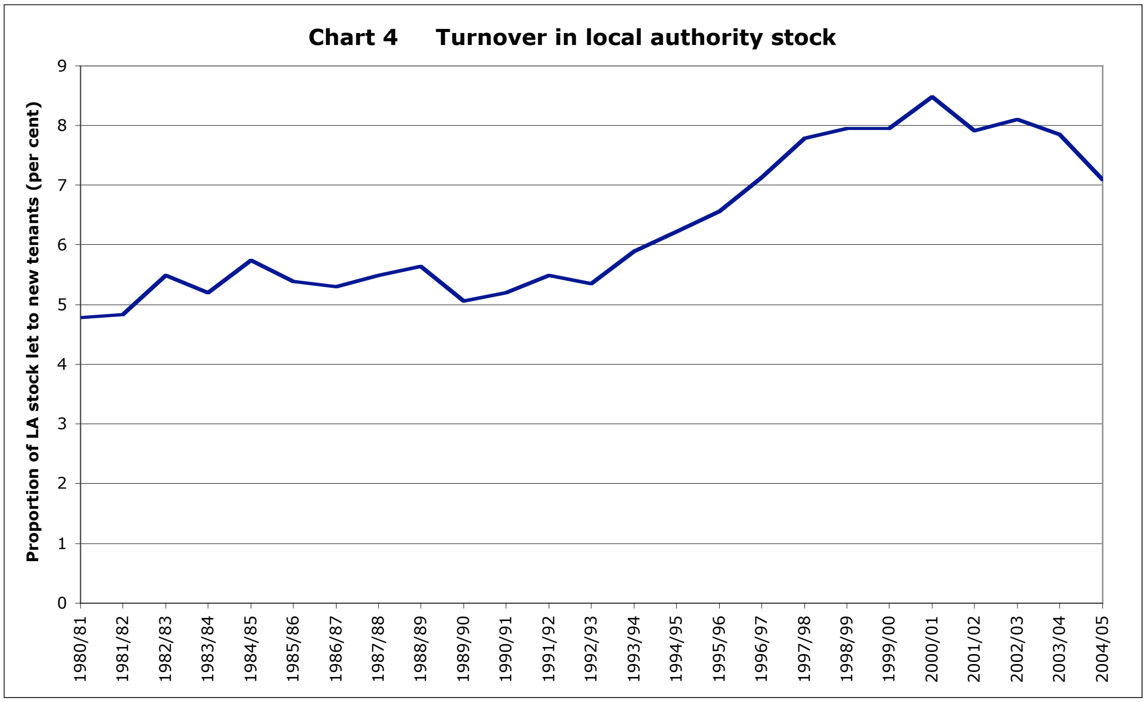
Declining social housing stock, but rising turnover

Between 1980/81 and 1990/91 the number of lettings to new tenants roughly tracked the decline in stock numbers. Total lettings to new tenants averaged just over 5% of the total local authority stock in each year between 1980/81 and 1992/93.

From 1991/92, however, the number of new lettings rose increasingly sharply, reflecting an even sharper increase in the proportion of vacancies occurring in the local authority stock.

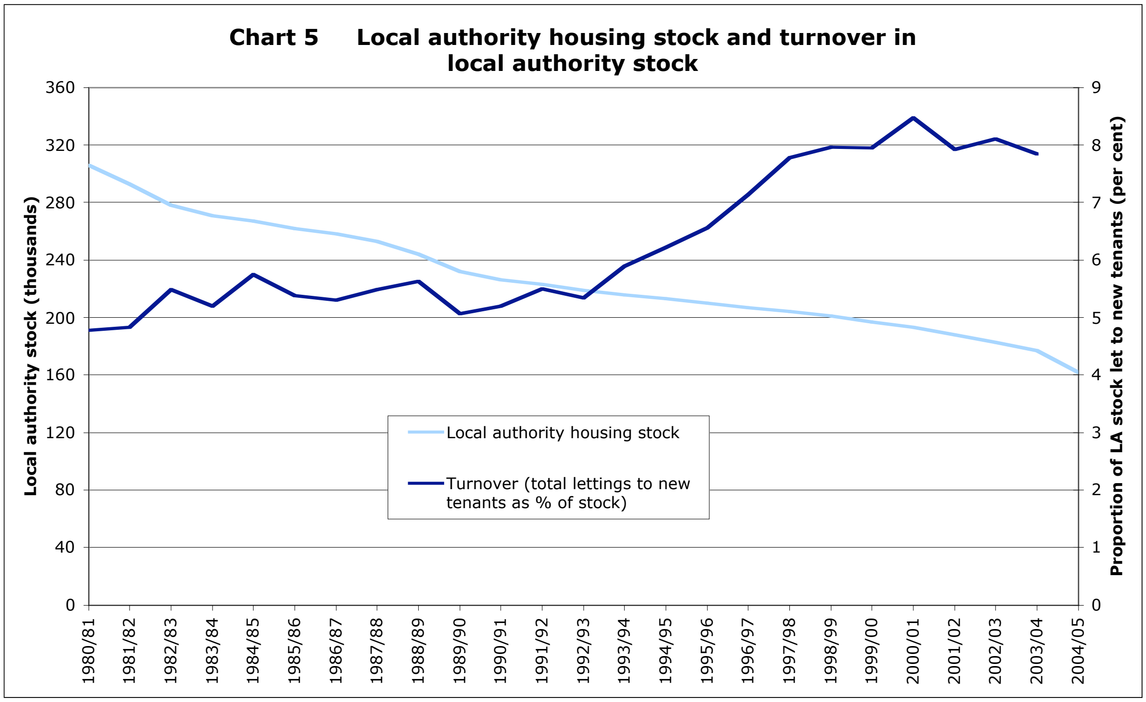
The annual number of vacancies in the local authority rose from 11,500 in 1992/93 to just under 16,000 in 2000/01, a rise from just under 5.5% of the stock to just under 8.5%. This was a nearly 40% increase in the number of vacancies, at a time when the local authority stock was falling from 216,000 to 188,000, a fall of 13%. Therefore, this rise in the number of vacancies caused a rise of nearly 55% in the rate of turnover, from 5.5% to 8.5%.

Chart 4 below shows the annual number of lettings to new tenants as a percentage of the total stock in each year. Lettings to new tenants (i.e. excluding lettings to existing tenants transferring from one property to another) are equivalent to the net total number of properties becoming vacant in the year.



As a result of the rise in vacancies and turnover, and despite the nearly 50% decline in the housing stock of local authorities, the number of lettings in 2002/03 was 14,384, compared to 14,009 in 1980/81, before falling to 11,196 in 2004/05. This has resulted in the total number of lettings each year remaining remarkably steady, fluctuating by a maximum and minimum of around 20% around an average of some 13,700 per annum over the last twenty five years.

Chart 5 below compares the continuing decline in the local authority housing stock to the rise in turnover. It is the rise in turnover which has maintained the number of lettings to new tenants, which in turn has enabled local authorities to meet the sharp rise in homelessness without (so far) creating a crisis either in the proportion of lettings allocated to the homeless, or allowing the numbers in temporary accommodation to become uncontrollable.



It is clear that this situation is potentially highly unstable. If the rate of turnover were to slow, the number of lettings would fall dramatically.

Making use of resources: local authority nominations to RSLs

Data are not collected about the number of lettings made by RSLs, nor about the different client groups to whom properties are let. The extent of turnover in the sector therefore is not known. The only information available is data for local authority nominations to housing associations.

It is clear that practice differs extremely between local authorities. While the proportions of lettings to the homeless in each area will reflect local circumstances, there seems to be little reason why such extreme variances of practice should exist between one local authority and another in the use made of available housing resources.

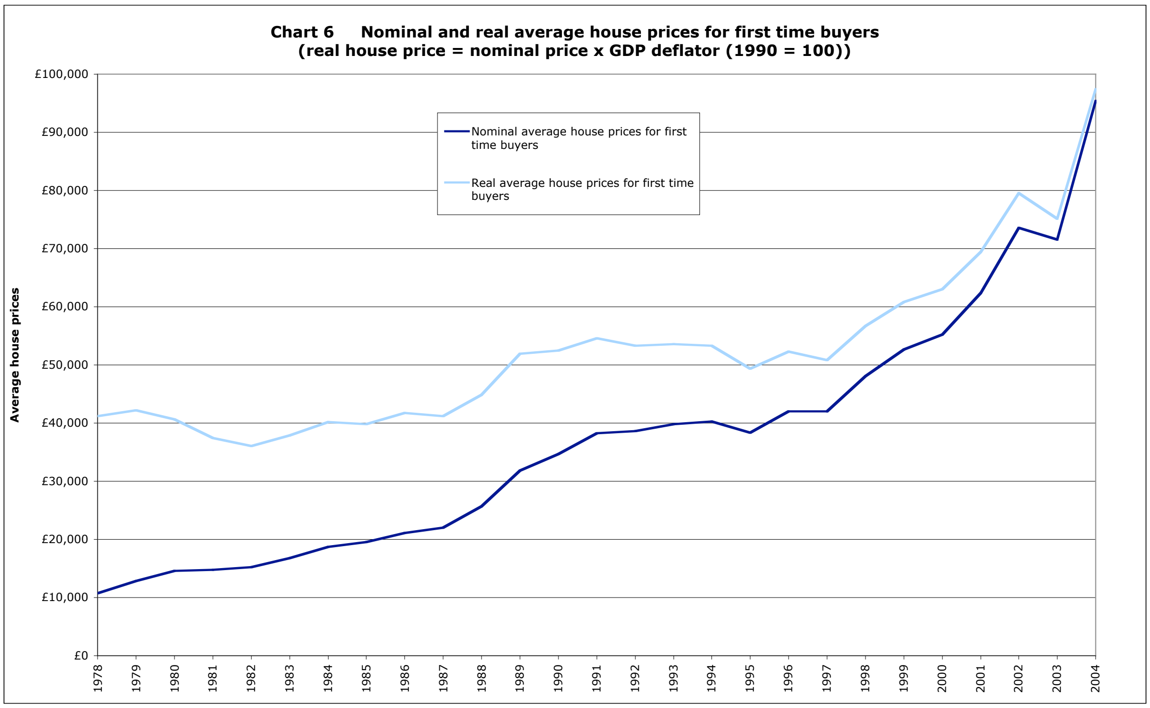
In only two authorities, Gwynedd and Ceredigion, are the proportions of local authority and of RSL stock allocated to priority need homeless similar. At one extreme, four local authorities,Wrexham, Bridgend, Vale of Glamorgan and Torfaen did not use RSL nominations to rehouse any priority need homeless cases, while at the other extreme, two local authorities, Neath Port Talbot and Merthyr Tydfil, used all their RSL nominations for rehousing priority need homeless cases

SECTION 2

The housing market and the social housing cycle

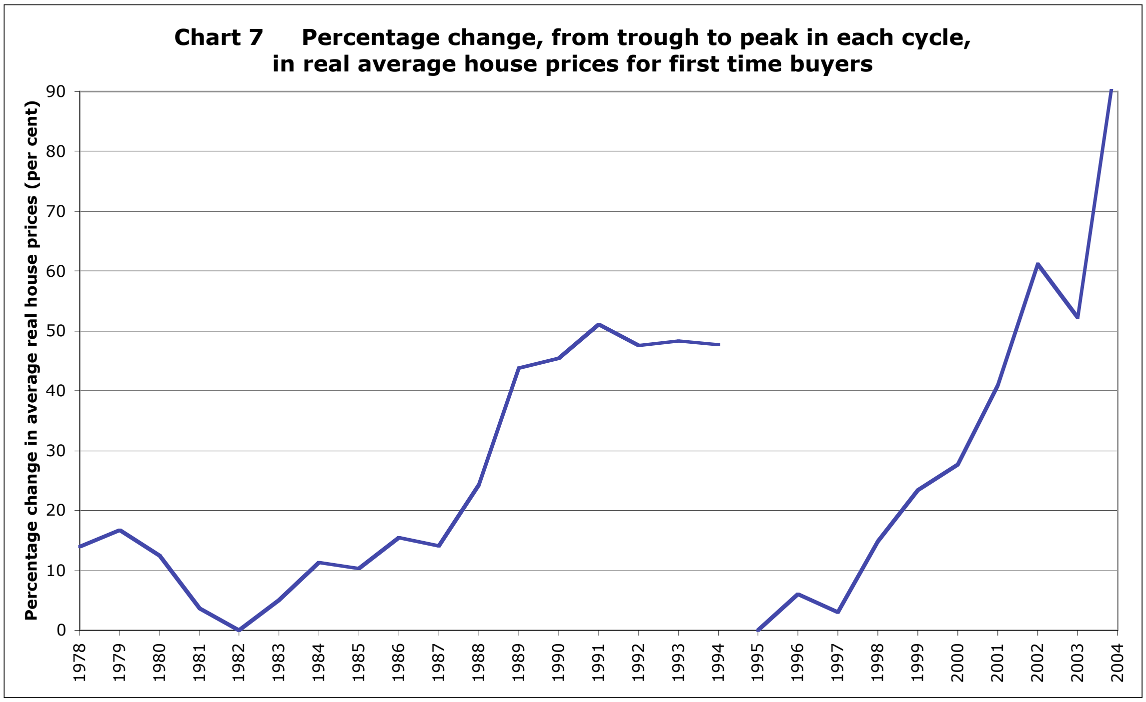
The house price cycle

The existence of a cycle in the owner occupied housing market is well known, and Chart 6 below shows the nominal and real average house price paid by first time buyers in Wales between 1978 and 2003.



The chart shows that after a small peak in 1979, real prices declined until 1982, before regaining their former level by 1984 and remaining roughly level until 1987. After this, prices rose rapidly in real terms, rising by nearly a third from £41,202 to a peak of £54,554 in 1991. Prices then went sideways, in real terms, until 1994 (£53,341) before falling to £49,319 in 1995 and £50,823 in 1997. 1995 also saw a fall in nominal prices for the first time in forty years. From 1998, prices began a further rapid rise, doubling in real terms to reach £97,391 in 2004 and £107,857 in 2005.

Chart 7 below shows the extent of the increase in the average real house price for first time buyers in each of the three main house price booms and slumps of the last twenty five years.



Note: The real house price at the bottom of each cycle, the trough, is shown as zero in the above chart. The chart then measures the increase from the bottom of the cycle to the top. For example, real house prices rose from £41,202 in 1987 to £54,554 in 1991, a rise of 32%, and from £50,823 in 1997 to £97,391 in 2004, a rise of 92%. The fall in real house prices from the peak in 1991 to the trough in 1995, from £54,554 to £49,319 was only 10%.

The impact of the house price cycle on turnover and lettings

Chart 8 below shows that the 46% increase in turnover which occurred in the local authority housing stock, from 5.34% in 1992/93 to 7.78% in 1997/98, coincided with the period of stagnant and falling real house prices between 1993/94 and 1997/98. As the price of the average house bought by first time buyers rose from 1998/99, turnover in the local authority housing stock has stopped rising, and stabilised, at an average of around 8% between 1997/98 and 2004/05, before falling to 7% in 2004/05.

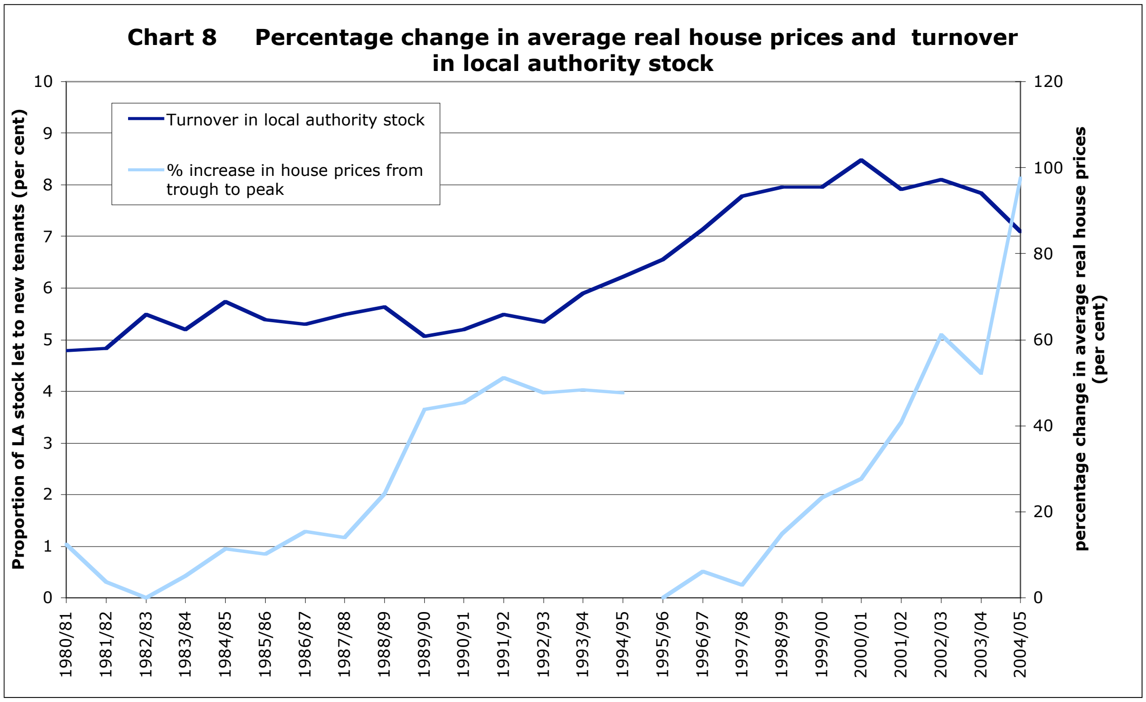
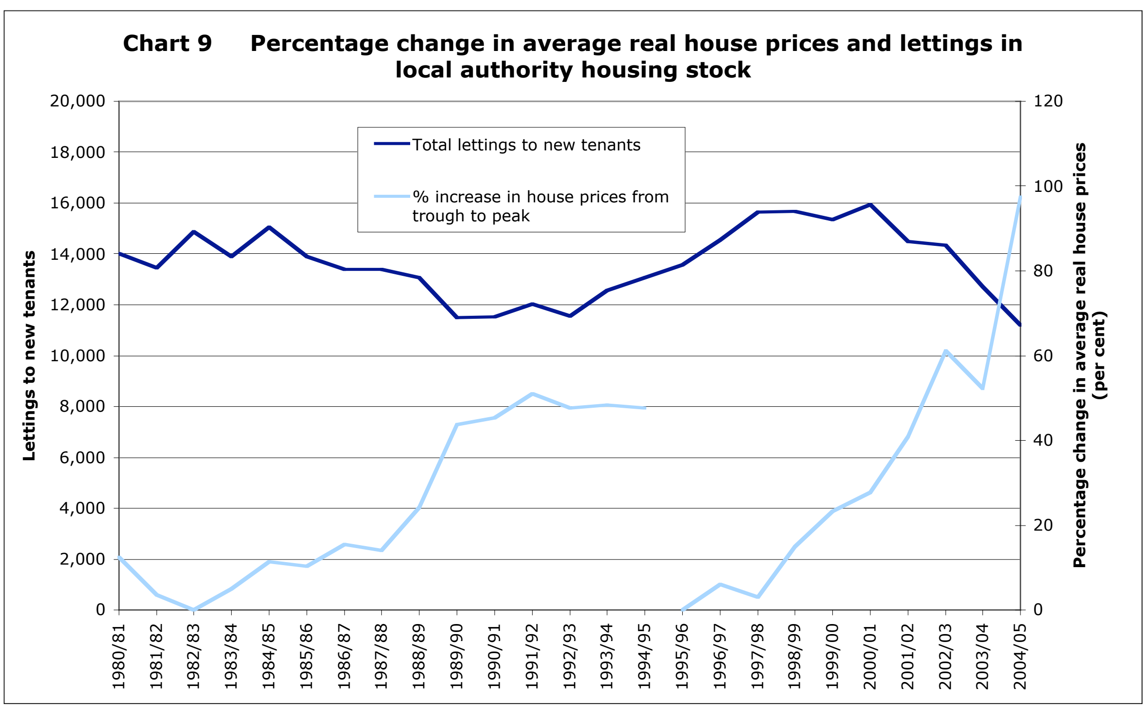


Chart 9 below shows the relationship between the annual number of lettings to new tenants in the local authority stock, and the percentage increase in the average house price for first time buyers.



Lettings rose to an initial peak of around 15,000 in 1984/85, before declining, as house prices began to rise in the latter half of the 1980s, to a low point of 11,500 in 1989/99 and 1990/91 at the peak of the house price boom. Following the collapse of the housing market in 1991/92, the number of lettings began to grow again, reaching peaks of 15,650 in 1997/98 and 15,900 in 2000/01. As the housing market cycle began to turn again in Wales, with house prices doubling between 2000 and 2004, the number of lettings began to fall again, reaching an all time low of 11,196 in 2004/05.

The impact of the house price cycle on homelessness and demand

Chart 10 below appears to show that there is a close relationship between the rate of house price increases and the numbers of households accepted as homeless and in priority need.

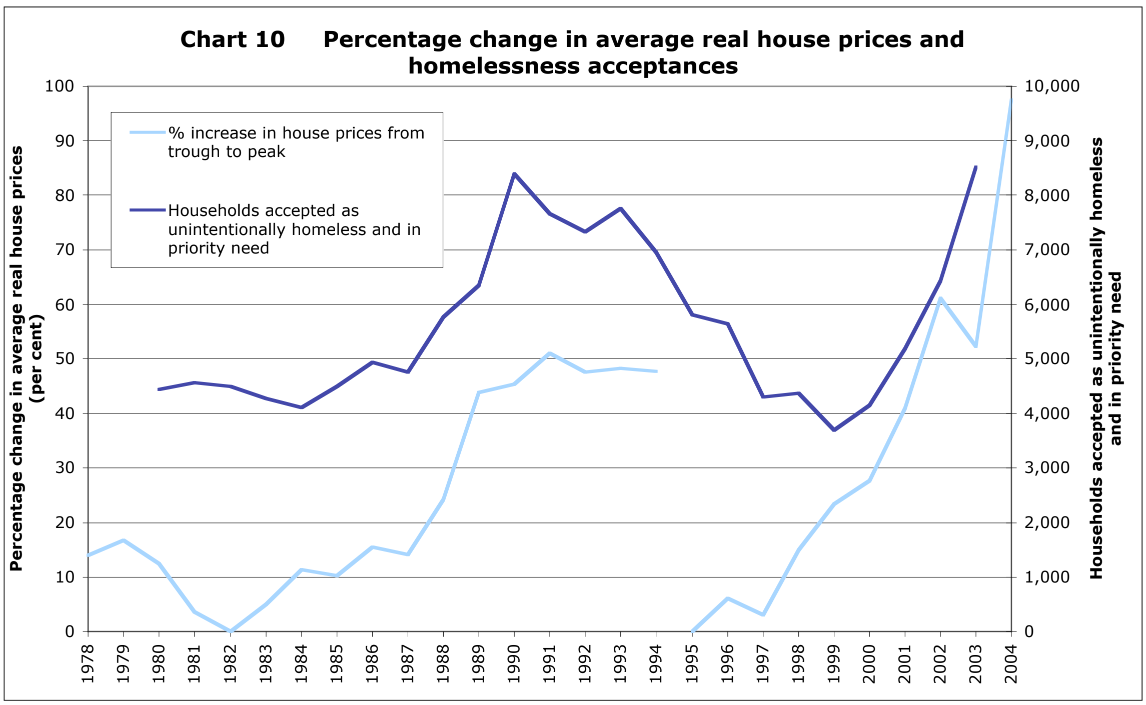


Chart 11 below shows, as would be expected, that there is a close relationship between the growth and decline in the number of households accepted as homeless and in priority need, and the number of lettings to homeless households by local authorities. However, the different scales on the chart should be noted: despite having the same pattern over the last twenty five years, the numbers in each group are very different. There are nearly three times as many acceptances as there are lettings to homeless households. This point is discussed further in Section 5 below.

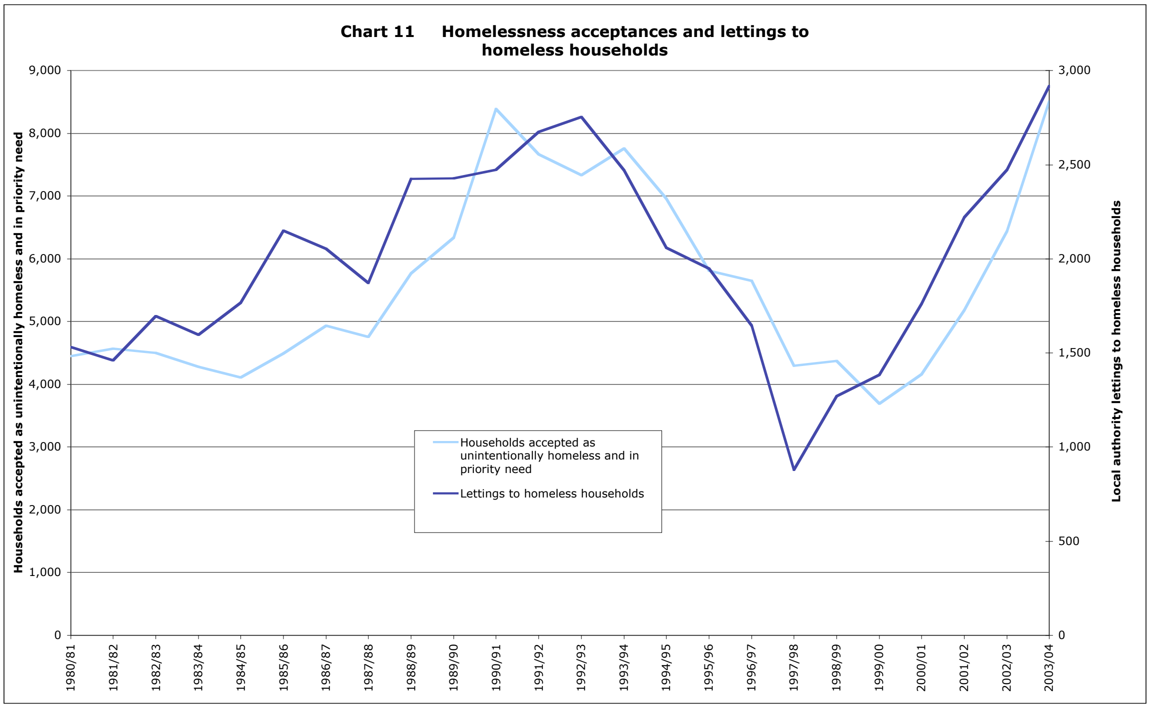
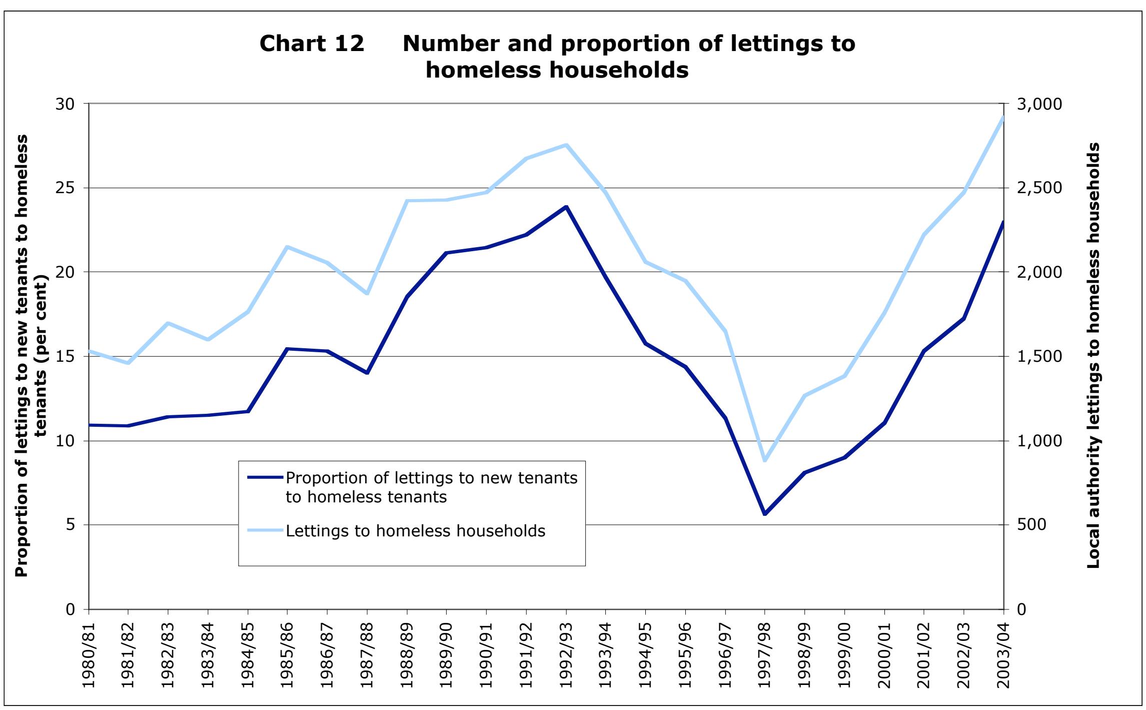
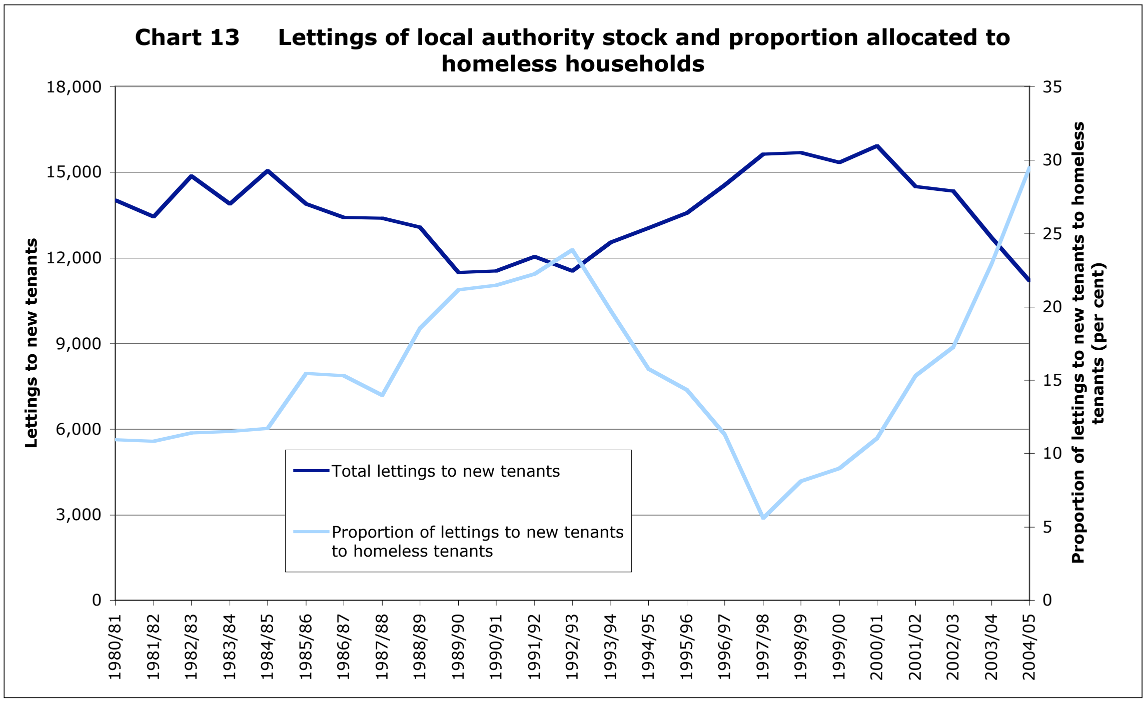


Chart 12 below shows that as the numbers of lettings to the homeless rises and falls, the proportion of lettings to the homeless rises and falls even further. The increase in lettings from 1,872 in 1987/88 to the peak of 2,754 in 1992/93 was in increase of 47%, but the proportion of lettings allocated to the homeless rose from 14% to 24%, a rise of 71%.



The steeper increase in the proportion of lettings allocated to the homeless is the result of the simultaneous decline in the total number of lettings available for new tenants.

Chart 13 below shows the inverse relationship that exists between the total number of lettings available for new tenants and the proportion of lettings allocated to the homeless.



It is clear that the peaks in demand (the highest percentages of new lettings allocated to the homeless) occur at the time when supply (the number of new lettings) is at its lowest.

The social housing cycle

It seems clear that there is a cycle in social housing which has an inverse relationship to the housing market cycle. As prices rise in the housing market, so does the demand for social housing, particularly in its most acute form, homelessness.

However, as the demand for social housing rises, the supply of social housing contracts as turnover falls and the number of lettings available to new tenants reduces, as shown in Chart 14 below.

Chart 14 Percentage change in average real house prices, initial demand for social housing (homeless presentations) and supply of lettings

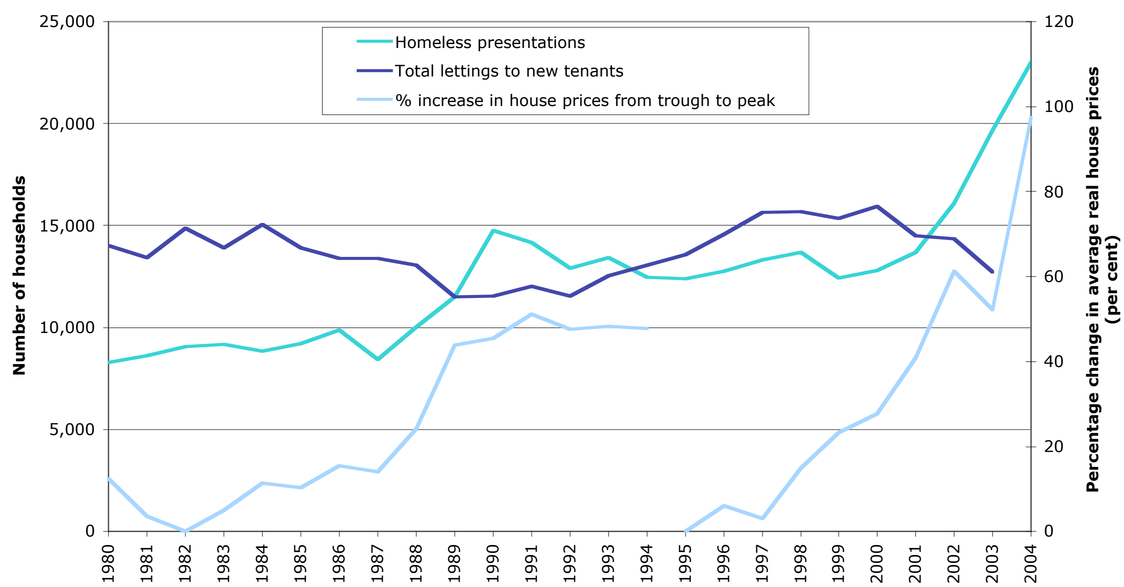


Chart 15 below shows that at the same period that presentations are rising, the proportion of presentations accepted as homeless (whether in priority need or not) rises, intensifying the demand for social housing.

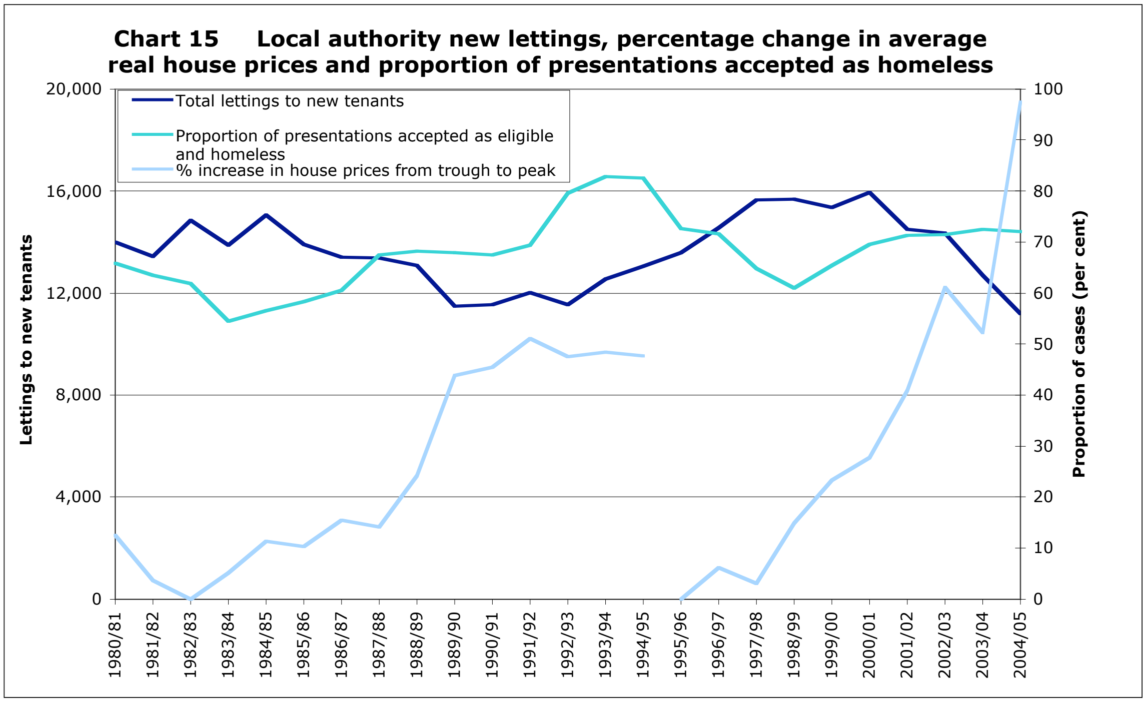


Chart 15 Local authority new lettings, percentage change in average real house prices and proportion of presentations accepted as homeless
Total lettings to new tenants
Proportion of presentations accepted as eligible and homeless
% increase in house prices from trough to peak
Lettings to new tenants
Proportion of cases (per cent)
20,000
16,000
12,000
8,000
4,000
0
100
90
80
70
60
50
40
30
20
10
0
1980/81
1981/82
1982/83
1983/84
1984/85
1985/86
1986/87
1987/88
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1993/94
1994/95
1995/96
1996/97
1997/98
1998/99
1999/00
2000/01
2001/02
2002/03
2003/04
2004/05

SECTION 3

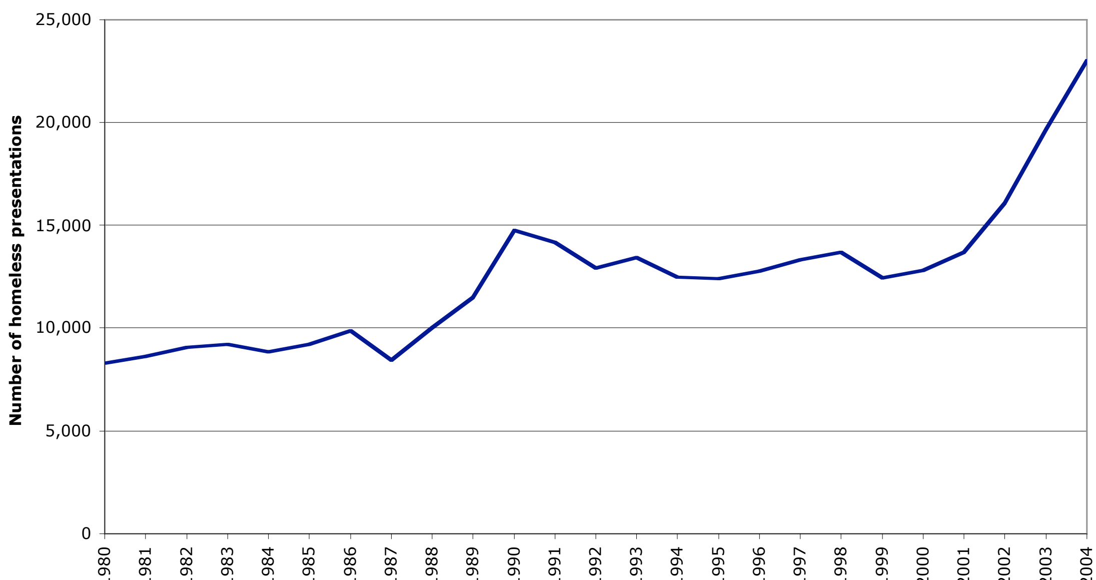
The demand for housing from the homeless

The initial demand: households presenting as homeless

The initial measure of the number of households who consider themselves to be homeless, or at risk of homelessness, is the number presenting themselves to local authority homelessness sections.

The number of homeless presentations has more than doubled over the past twenty five years, from 8,277 in 1980 to 23,003 in 2004, as shown in Chart 16 below.

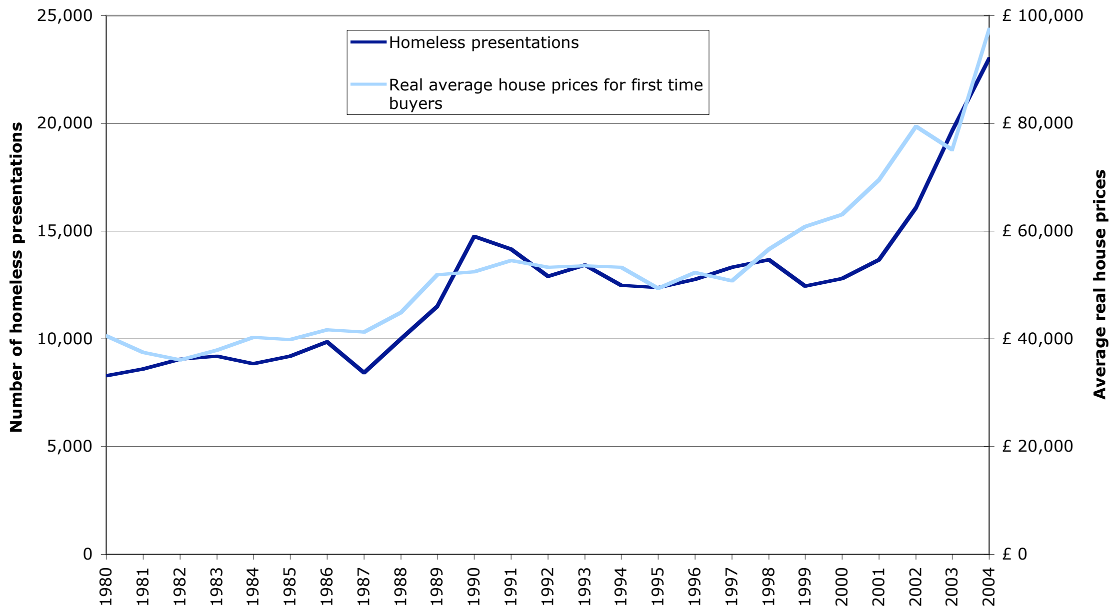
Chart 16 Number of households initially presenting as homeless (homeless presentations)



Four periods can be distinguished. In the first, from 1980 to 1987, total presentations averaged 8,934 per annum, with relatively small fluctuations. From 1987 to 1990, presentations rose by 75% to a peak of 14,753. Between 1990 and 2001 there was another rough plateau in the numbers of homeless presentations, averaging 12,877 per annum. From 2001 to 2004, the numbers of presentations again rose sharply by 68% to 23,003.

However, the total number of presentations in each year appears to track the increase in real house prices. Chart 17 below shows the total number of presentations in each year, compared to the real average price of houses bought by first time buyers.

Chart 17 Average real house prices and homeless presentations



The two periods of sharply rising house prices, and therefore of deteriorating affordability for first time buyers, the first between 1988 and 1991 and the second between 1998 and 2002, have broadly coincided with sharp increases in the numbers of households presenting as homeless.

It seems unlikely that these rises in presentations are simply the result of decreasing affordability and the consequent frustration of households who would otherwise have become first time buyers. Sharp increases in house prices may also affect the availability and price of accommodation in the private rented sector. Anecdotal evidence from housing staff suggests that private sector landlords may be giving tenants with Assured Shorthold tenancies Notice to Quit in order to sell the property and realise the increased capital value. However, the number of properties being purchased for letting (Buy to Let) also appears to be growing rapidly, and the net effect of these two opposed trends on the private rented sector is difficult to assess. Rapid increases in house prices may also have a psychological effect on family and friends, in reducing their willingness to continue to offer accommodation to lodgers whose prospects of moving to their own accommodation within the foreseeable future are diminishing.

The characteristics of households presenting as homeless

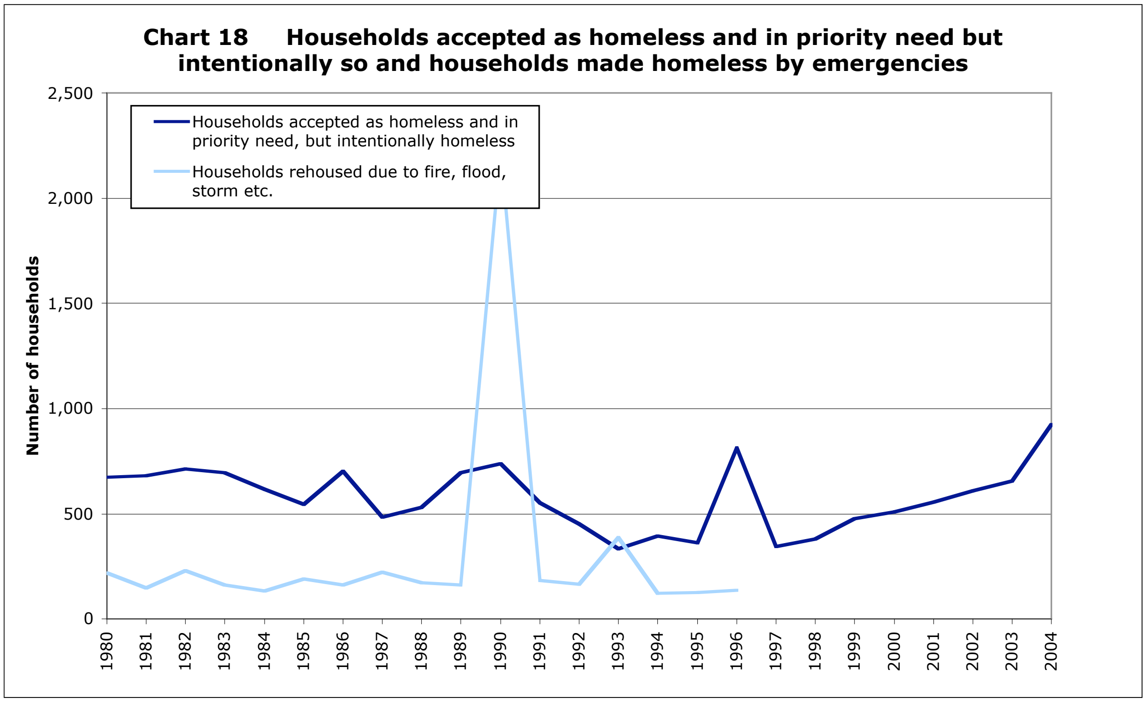
However, the population of households presenting as homeless is not homogenous. At least four broad groups can be distinguished among households presenting as homeless. The proportions of these different groups among the homeless have changed markedly over time, and each group appears to have a different relationship to changes in the wider housing market.

The four broad groups which can be distinguished among households presenting as homeless are:

1. Households eligible, but not homeless
2. Households eligible, homeless, but not in priority need
3. Households eligible, homeless, and in priority need as a result of vulnerability (old age, physical or mental disability, etc.)
4. Households eligible, homeless, and in priority need due to the presence of dependent children, a pregnant woman, or domestic violence.

In addition, there are two smaller groups presenting as homeless. The first are households who are eligible, homeless and in priority need but who are judged to have made themselves homeless intentionally. Some of this group are likely to be rehoused in the social housing sector, in order to prevent more damaging social consequences such as family breakdown, but the numbers of such cases are not known. The second group are households made homeless by emergencies such as fire or flood. Data were only collected on the numbers of such cases actually rehoused between 1980 and 1996.

The numbers in each group are relatively small, and are shown in Chart 18 below.



There does not appear to be any particular pattern or trend in the numbers in either group, in contrast to the sharp increases in numbers which have occurred in the four main groups. This is perhaps to be expected with cases of homelessness due to fire or flood, which are clearly uninfluenced by events in the housing market. The numbers judged to be intentionally homeless show sharp fluctuations from one year to another, but the overall trend appears to be flat.

Each of the four main groups of households initially presenting as homeless has shown a different, and distinct, pattern over the last twenty five years.

Households eligible, but not homeless

Households initially presenting as homeless, but found on investigation to be eligible but not homeless, form a high percentage of all apparently homeless presentations. Since 1980, nearly a third (31%) of all presentations have turned out not to be homeless. On average, this is an annual total of 3,738 households out of the average annual total of 11,979 households presenting as homeless, as shown in Chart 19 below.

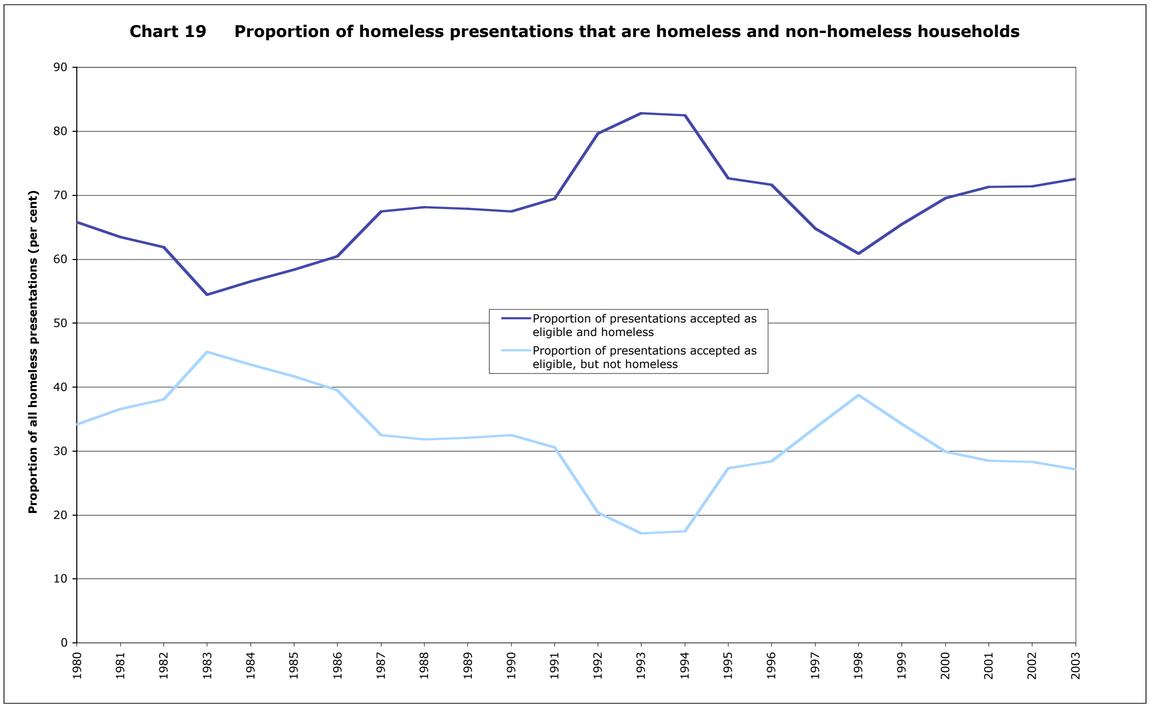


Chart 19 Proportion of homeless presentations that are homeless and non-homeless households

Little or nothing appears to be known about these households, although they clearly represent a substantial part of the case workload for homelessness sections. In particular, it is not known how many of this group subsequently re-present when genuinely threatened with homelessness, and are therefore counted again as a homeless case. Neither is it known whether this group of households is merely making a general enquiry about eligibility for social housing, and are subsequently registered on waiting lists.

The numbers of households presenting but not homeless appears to vary inversely to the number presenting and found to be homeless, except during periods of rapid house price increases. Chart 20 below shows that the number presenting but not homeless peaked in 1993 to 1996, mirrored by a trough in the numbers presenting and homeless. The numbers presenting but not homeless and those presenting and homeless then rose in parallel to a peak in 1990, before the numbers presenting but not homeless fell to a trough between 1992 and 1994, mirrored by a peak in the numbers presenting and homeless. Numbers p[illegible]en rose to another peak in 1998, mirrored by another tro[illegible] and homeless. Both groups then rose roughly in parallel fro[illegible]

It is too early to say whether the pattern of the period 1990 to 1994 will repeat itself in some form.

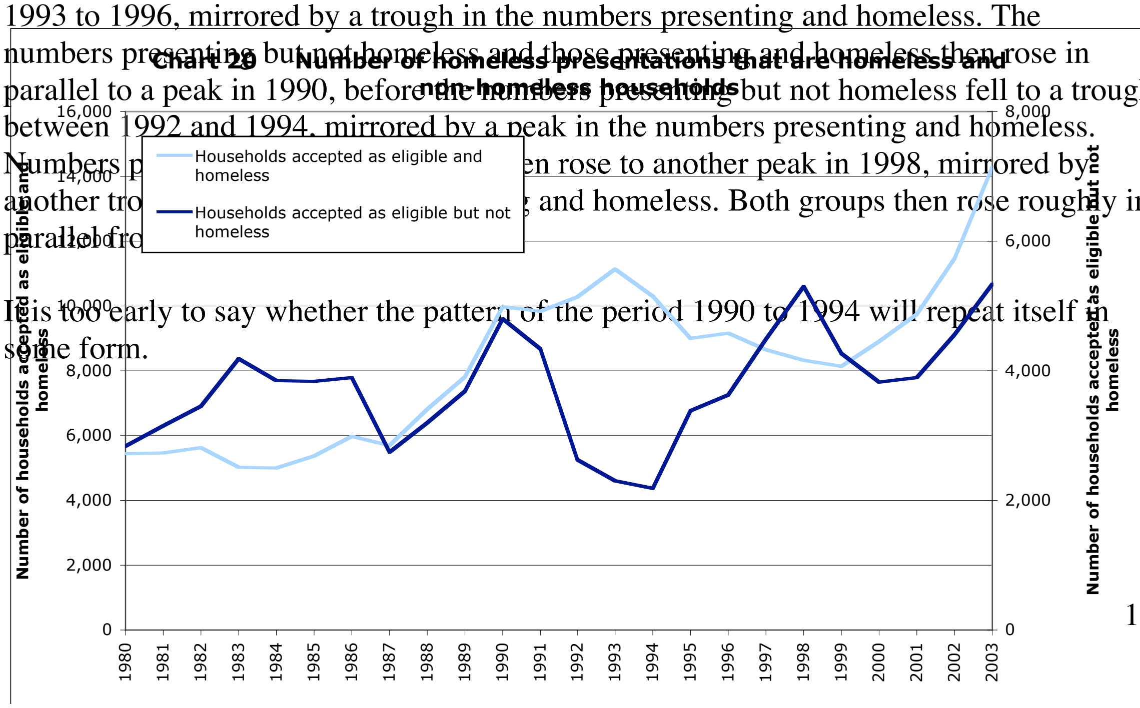
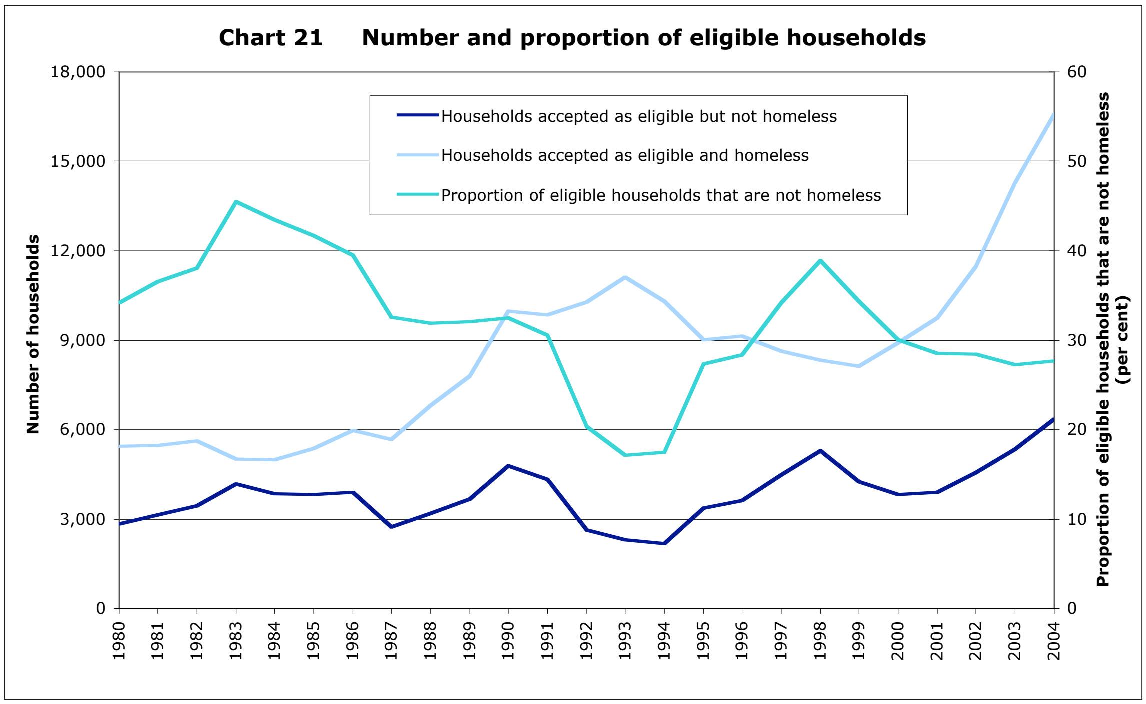


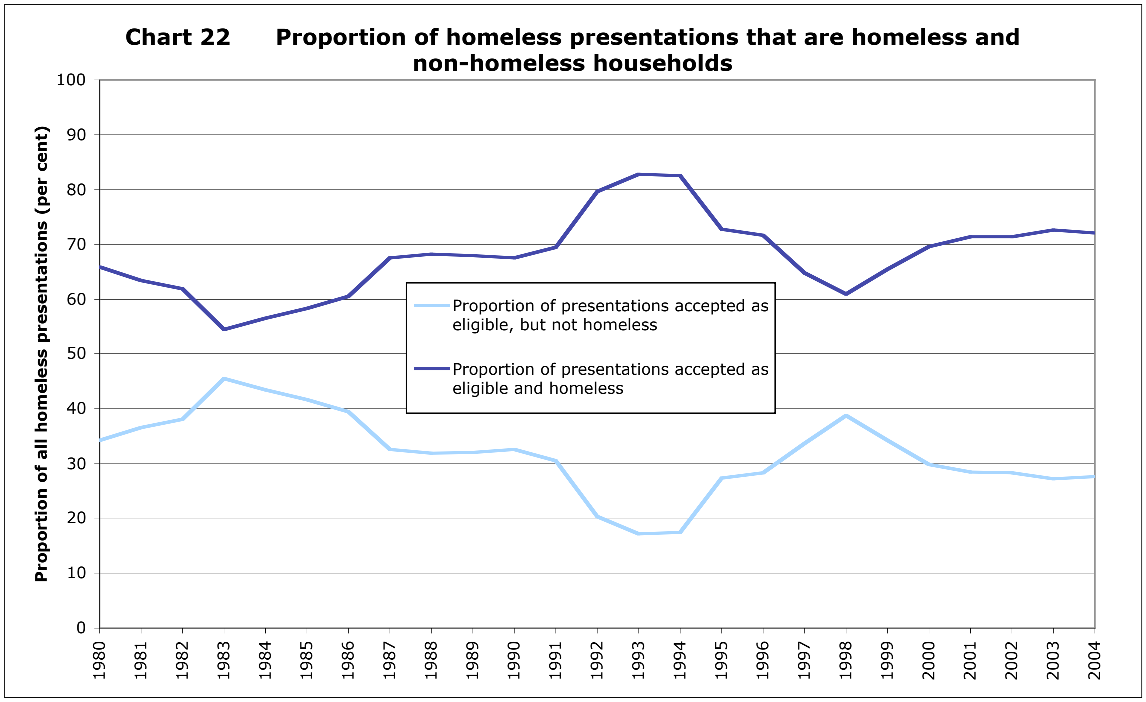
Chart 20 Number of homeless presentations that are homeless and non-homeless households

In general, a rise in the number of households presenting who are not in fact homeless is mirrored by a rise in the proportion of households presenting who are not in fact homeless. However, this does not occur at times of peak housing stress, when the overall numbers of homeless presentations rises even faster, causing the proportion of not homeless presentations to remain static or even fall.

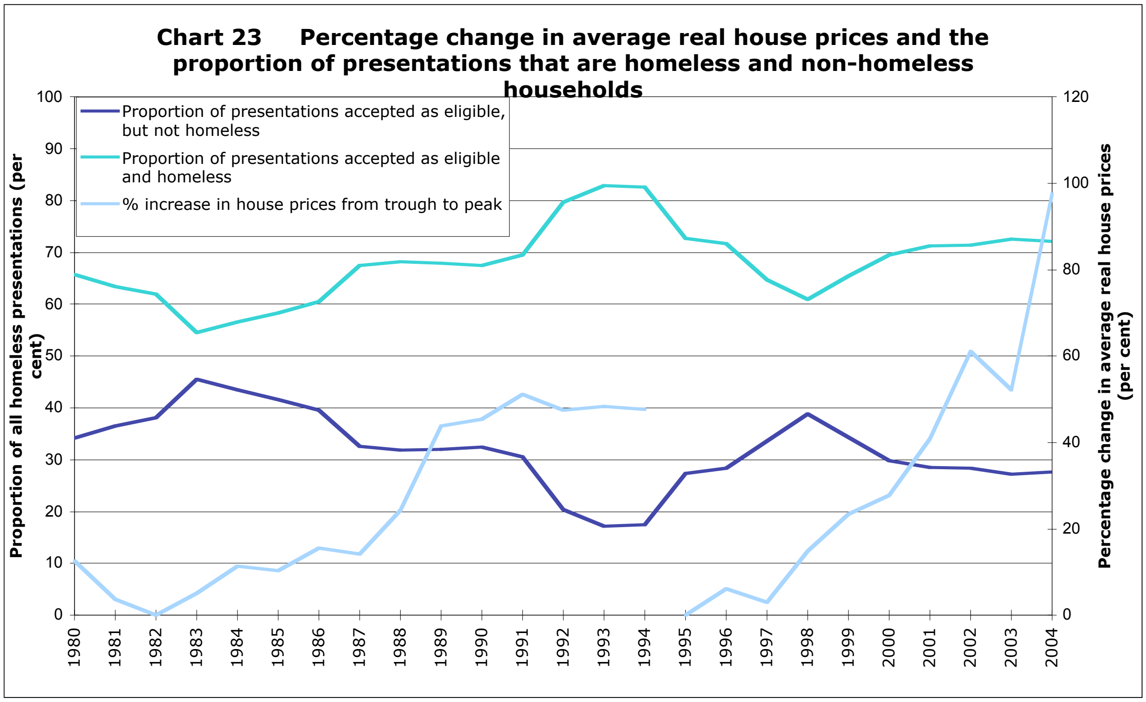
This pattern is shown in Chart 21 below, which suggests that from 2001 a similar pattern may be developing to that which existed between 1989 and 1992.



The percentage of all presentations found to be eligible but not homeless is the inverse of the percentage found to be eligible and homeless, as shown in Chart 22 below.



Although the numbers of presentations who are not homeless rises in periods of increasing housing stress, the percentage of all presentations who are not homeless falls. There appears to be an inverse relationship between the proportion of presentations who are not homeless and the rate of house price increases, as shown in Chart 23 below.



Clearly, this suggests that households presenting but not homeless, while affected by the overall degree of stress in the housing market, are not so directly affected as those who present and are found to be homeless.

Households eligible, homeless, but not in priority need

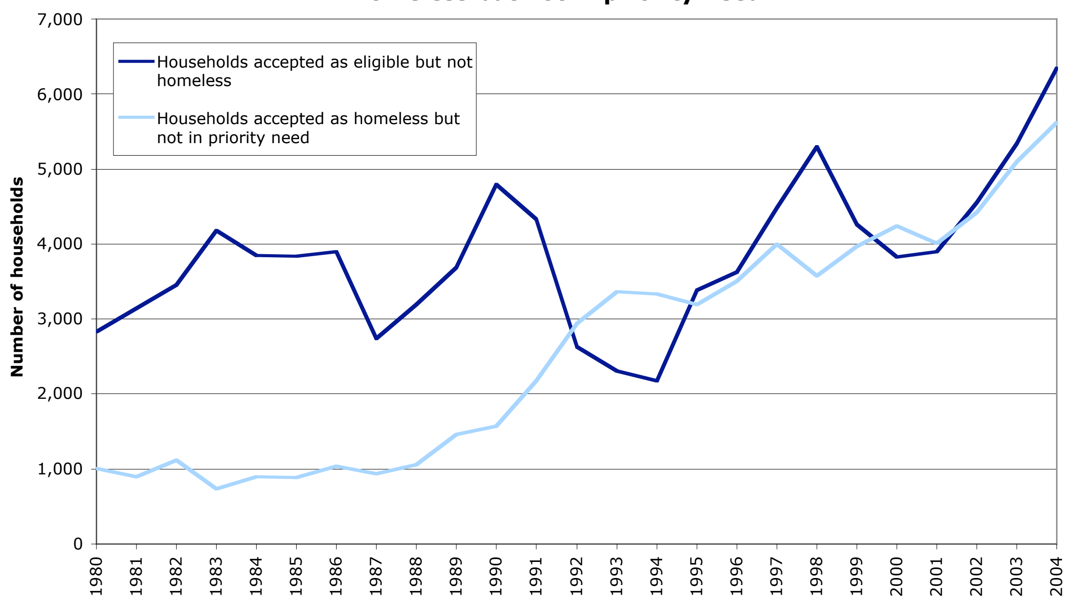
The second major group among households presenting as homeless are those who are eligible and homeless, but not in priority need.

The households in this group are, by definition, aged over 18 but less than 60, without dependent children and not pregnant, and not vulnerable for any reason. No analysis is available of the household characteristics of this group, but it is generally assumed that the vast majority are single people.

The numbers of households homeless but not in priority need are shown in Chart 24 below. While the number of households presenting but not homeless has been relatively static over the past twenty five years, although on a slightly rising trend, the numbers of non-priority homeless have risen nearly sevenfold in twenty years, from a low point of 730 cases in 1983, to 5,619 in 2004.

Between 1980 and 1988, the numbers of non-priority homeless were almost static, averaging just under 950 per annum. From 1989 however, the numbers have risen in all but four of the following fifteen years. There was a sharp rise in numbers from 1052 in 1988 to 3368 in 1993, followed by a slower rise to 4013 by 2001. This has then been followed by a further sharp rise to 5,619 in 2004.

Chart 24 Number of households presenting but not homeless, and homeless but not in priority need

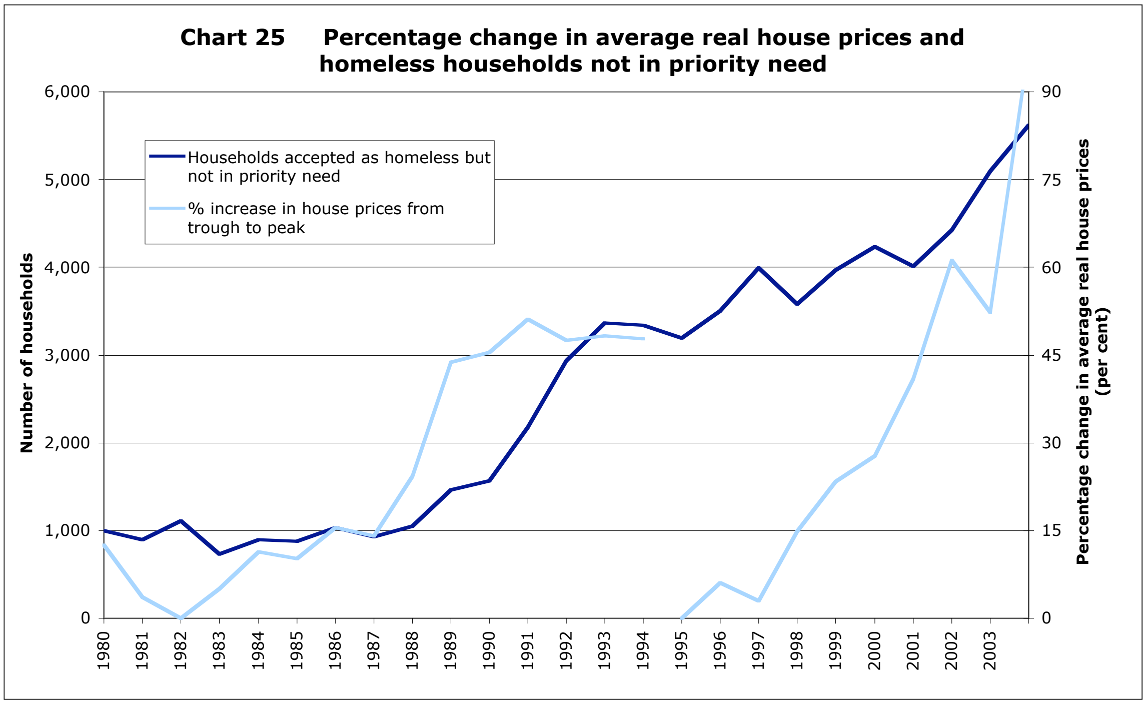


The sharp rise in non-priority homeless since 2001 suggests that the rise in the numbers of priority homeless that has occurred since 2001 is not driven solely by a 'switching' of households from non-priority to priority categories. This point is explored further below.

Chart 25 below shows that while the numbers who were homeless but not in priority need rose together with the rise in house prices from 1987 to an intermediate peak in 1993, the numbers have continued to rise, with minor fluctuations, since 1993, despite the falls in real house prices that occurred between 1993 and 1997 and their subsequent much steeper rise.

The average price of homes bought by first time buyers rose by 34% between 1980 and the peak of prices in 1991, while real average earnings rose by 26%. However, by 2004, the average price of homes bought by first time buyers had risen nearly three times (280%) above the 1980 level, while average earnings had only risen by 50%.

The rise in the number of the non-priority homeless appears to be a permanent feature of housing demand, and one which is no longer directly affected by fluctuations in the owner occupied market. This would tend to support the assumption that households who find themselves homeless, but are not in priority need, probably have only one income, and are therefore less able to access the owner occupied market even in times of stagnant or falling house prices.



Households eligible, homeless, and in priority need

Chart 26 below shows that the proportion of all households initially presenting as homeless that were found to be homeless and in priority need remained around the 50% mark from 1980/81 to 1994/95. As a consequence of the rise in the numbers of the non-priority homeless, the proportion of priority homeless cases accepted fell to an historic low point of 29% of all presentations in 1999/00, before rising again to 43% in 2003/04.

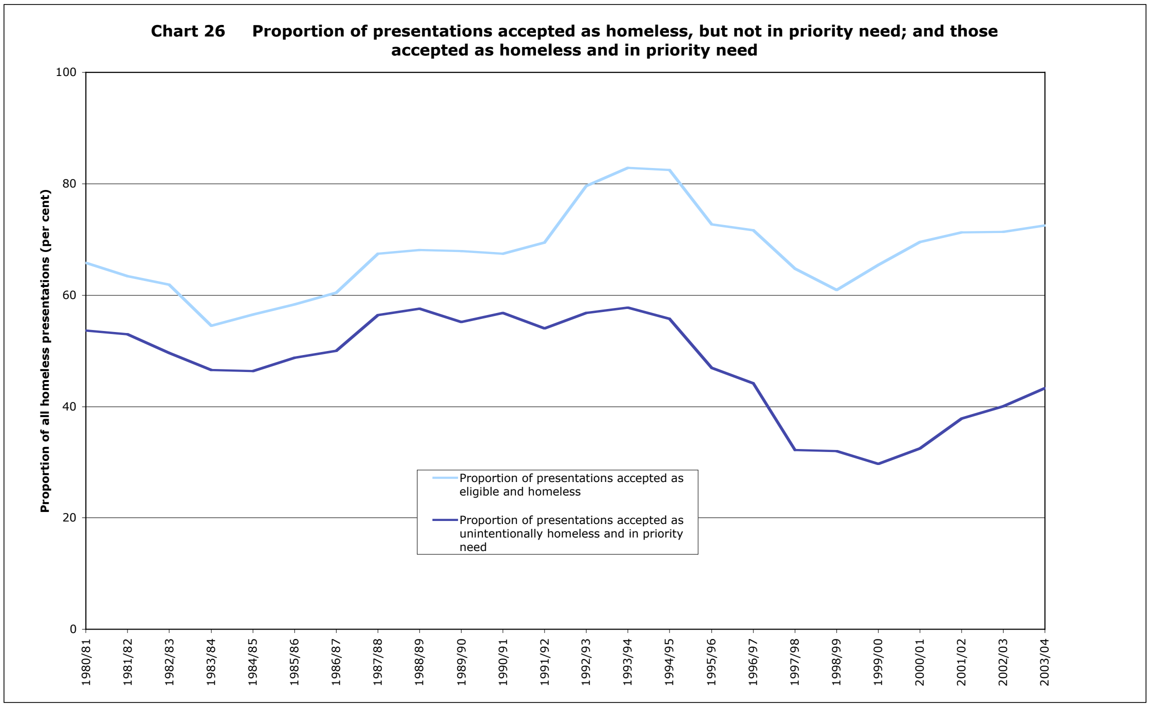
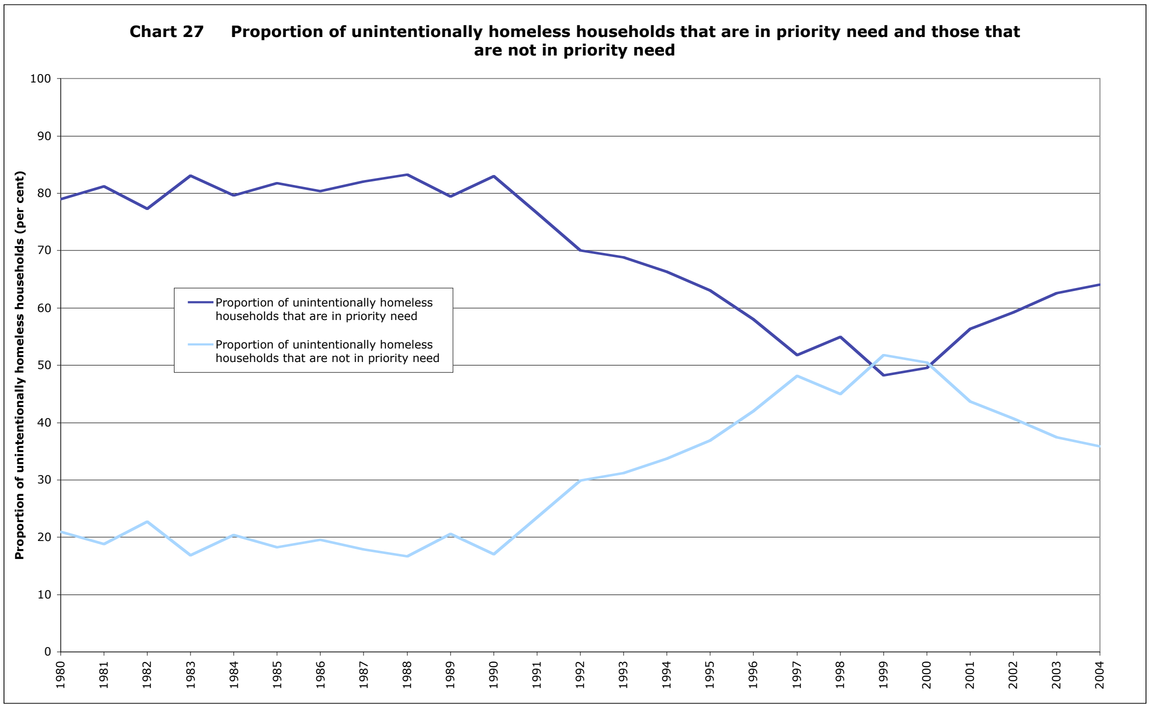


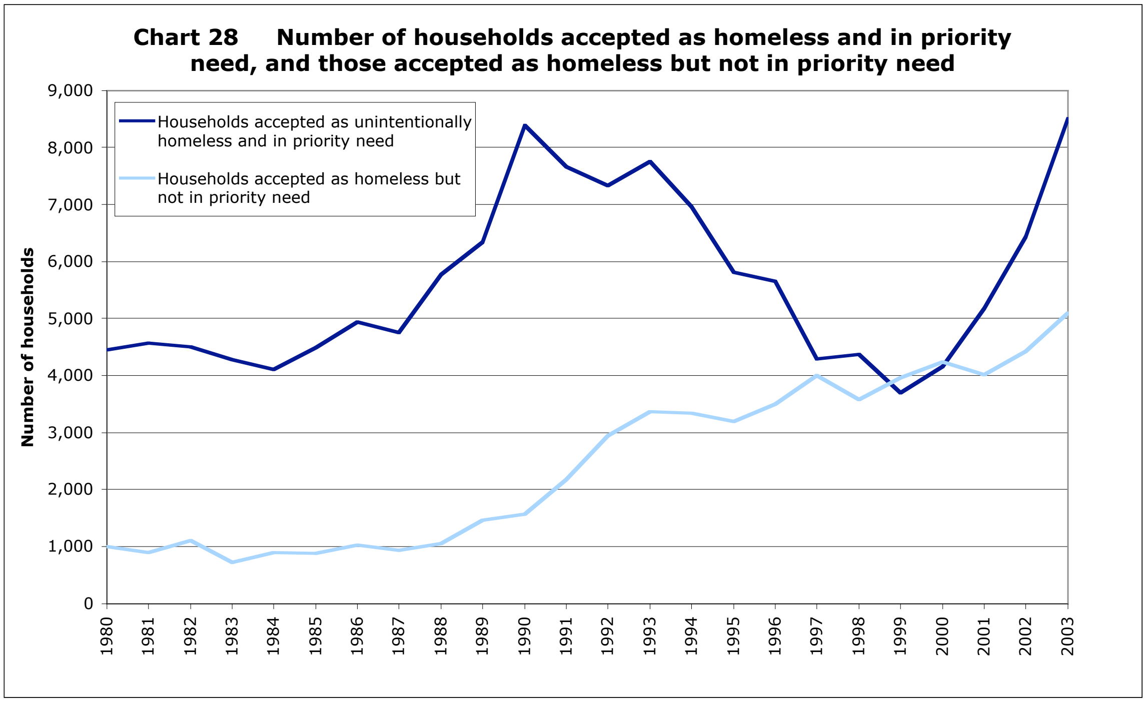
Chart 27 below shows that by 1999 and 2000, over 50% of all homeless acceptances were of households accepted as eligible and homeless, but not in priority need.



This was caused by two countervailing processes. The number of homeless but non-priority cases had quadrupled between 1988 and 2000, from 1,052 in 1988 to 4,238 in 2000. The numbers of homeless priority need cases however halved from an average of 7,786 in the four years 1990 to 1993 to an average of 4,130 in the four years between 1997 and 2000. Indeed, the number of acceptances of households as homeless and in priority need reached an all time low in 1999, at 3,695 cases.

Since 2000, the number of homeless but non-priority cases has continued to rise, increasing by a third in the five years to 2004, but this continuing rise has been overshadowed by the more than doubling of priority homeless cases, from 4,156 in 2000 to 10,040 in 2004.

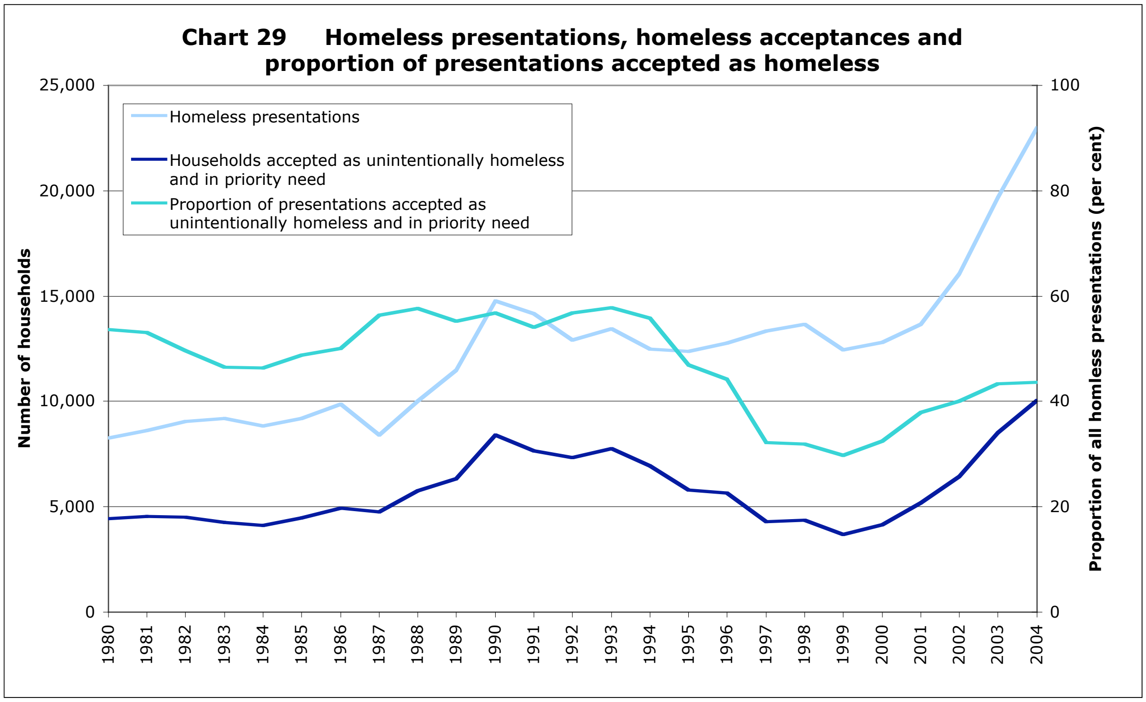
The two patterns are shown in Chart 28 below.



As a consequence of the growth in the numbers of those presenting, but not homeless, and of those homeless but not in priority need, the proportion of all presentations accepted as homeless and in priority need has fallen.

Chart 29 below shows that the percentage has never risen above 60%, falling to a low of 46% in 1983 and 1984 and again to a new low of just under 30% in 1999. The proportion of acceptances as homeless and in priority need has risen again since then, but it appears unlikely that it will return to the levels seen prior to 1994.

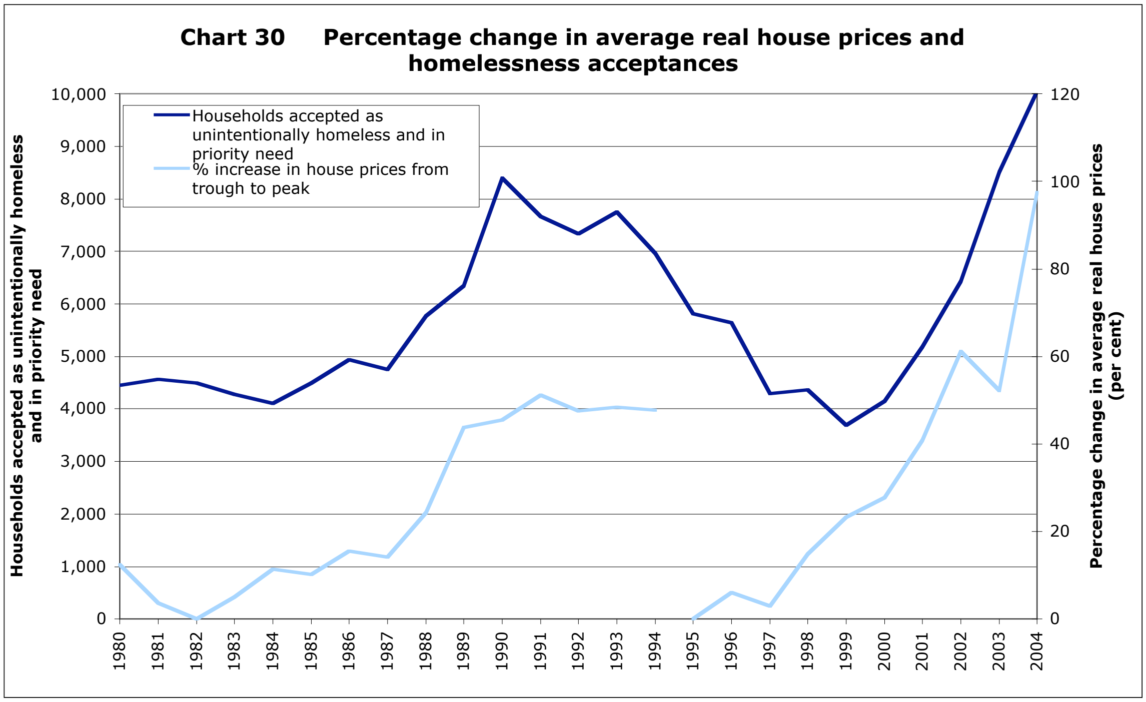
Therefore, some 60% of the workload for local authority homelessness sections in assessing initial presentations does not lead to any further statutory responsibility for the local authority.



Priority need homelessness and house prices

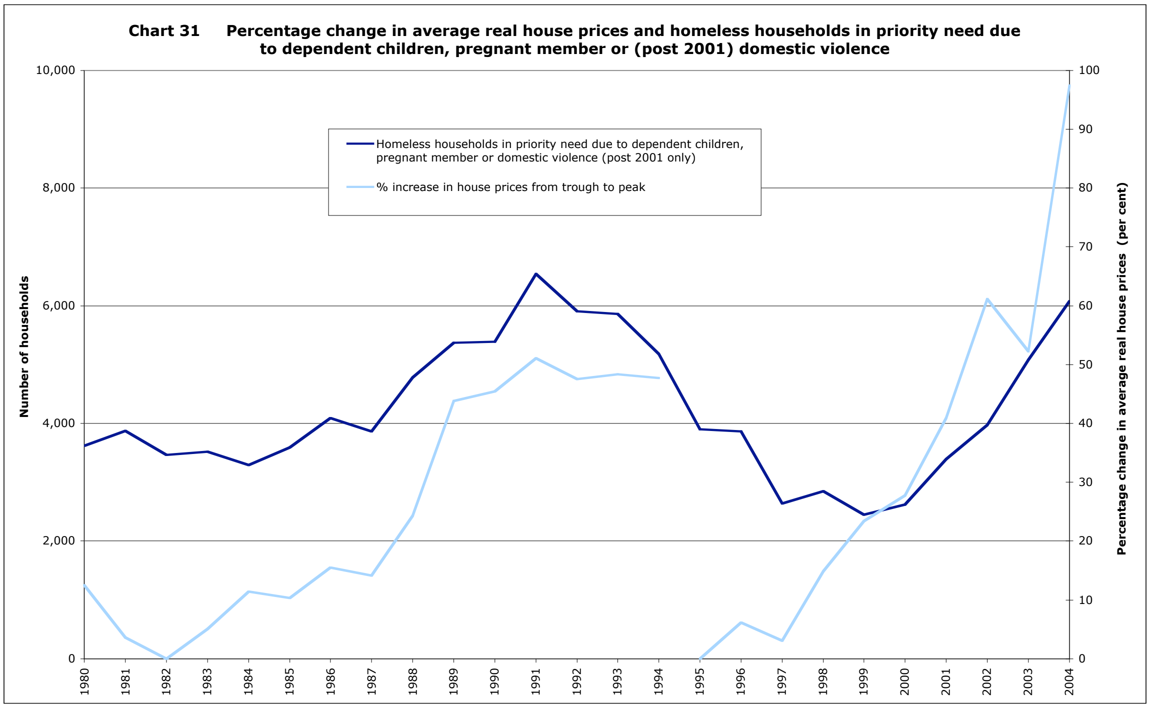
Chart 10 above, reproduced below as Chart 30 for convenience, shows the numbers of households accepted each year as being homeless and in priority need compared to the percentage increase, from the trough to the peak of each cycle, in the average house price paid by first time buyers.

The chart suggests that there is a direct relationship between the rate of house price increases in the market, the numbers of households becoming homeless and being in priority need, resulting in an increasing statutory rehousing responsibility for local authorities, at a time when the number of lettings available is falling.



However, within the priority need category there are very significant differences between families with dependent children (including, from 2001, domestic violence cases in this family group), and households which are in priority need due to vulnerability. The reason for including cases of domestic violence with households either with dependent children or a pregnant member are discussed further below.

Chart 31 below shows that the numbers of households with dependent children accepted as homeless and in priority need has a close relationship to the movement of house prices.



In contrast, the numbers of households in priority need due to vulnerability do not show a similar pattern. Chart 32 below shows that growth in the numbers in this group initially increased significantly from 1990, more or less at the peak of the housing market, peaking in 1995, near the low point of the house price cycle, and then declining until 1999, before increasing rapidly to the present.

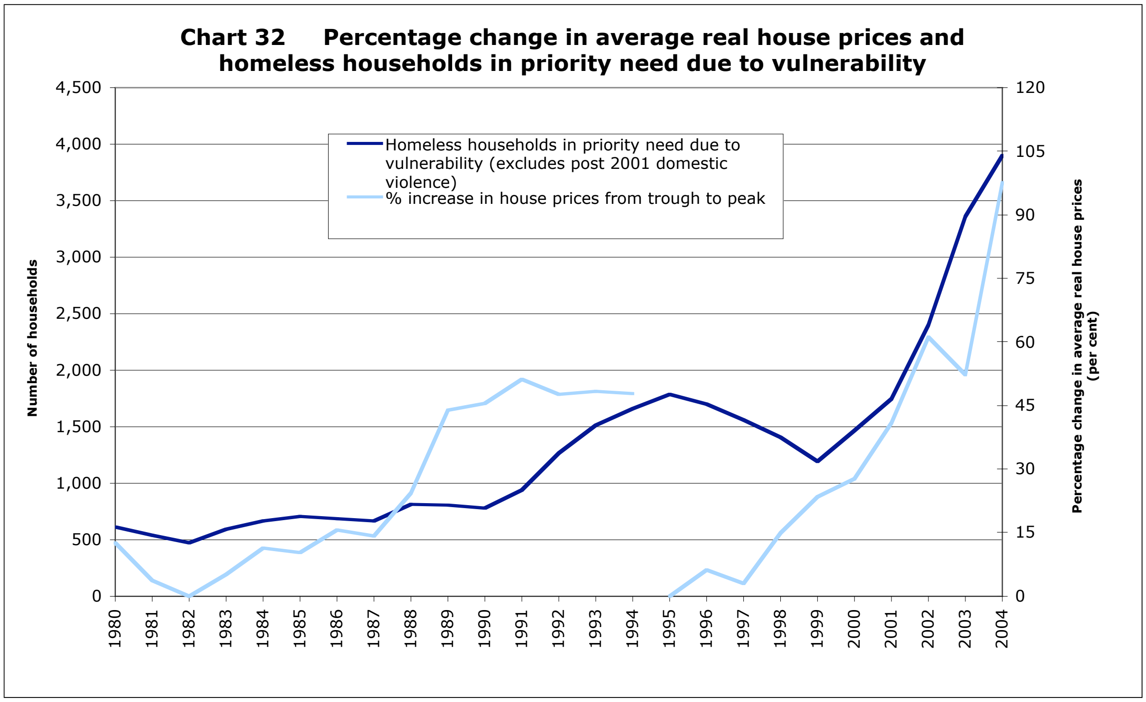


Chart 33 below suggests that the increase in numbers since the late 1980s of households homeless but not in priority need, and of households homeless and in priority need due to vulnerability may be governed by similar underlying causes. The household type of the non-priority homeless is not known, but is generally assumed to be predominantly single person, while 75% of vulnerable households are single person (not including the further 11% of single person households that are homeless as a result of domestic violence).

It is improbable that many of those who become homeless due to vulnerability would have been competing in the house purchase market, and this suggests that the increase in house prices, and other housing market changes, since 1987 have produced complex changes elsewhere in the housing market.

It appears that there has been a reduction in the type of accommodation which might formerly have been accessed by the vulnerable, both in the private rented sector (presumably in lodging houses and bedsits), and in the willingness of relatives and friends to continue to provide lodgings for these groups.

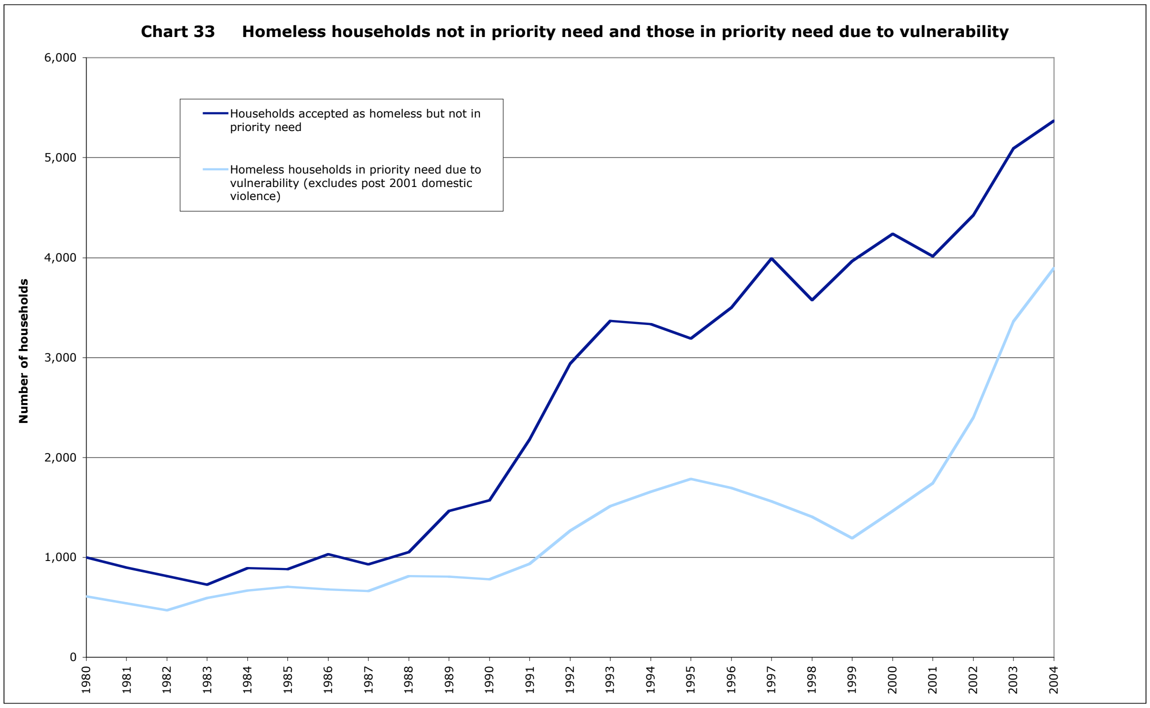


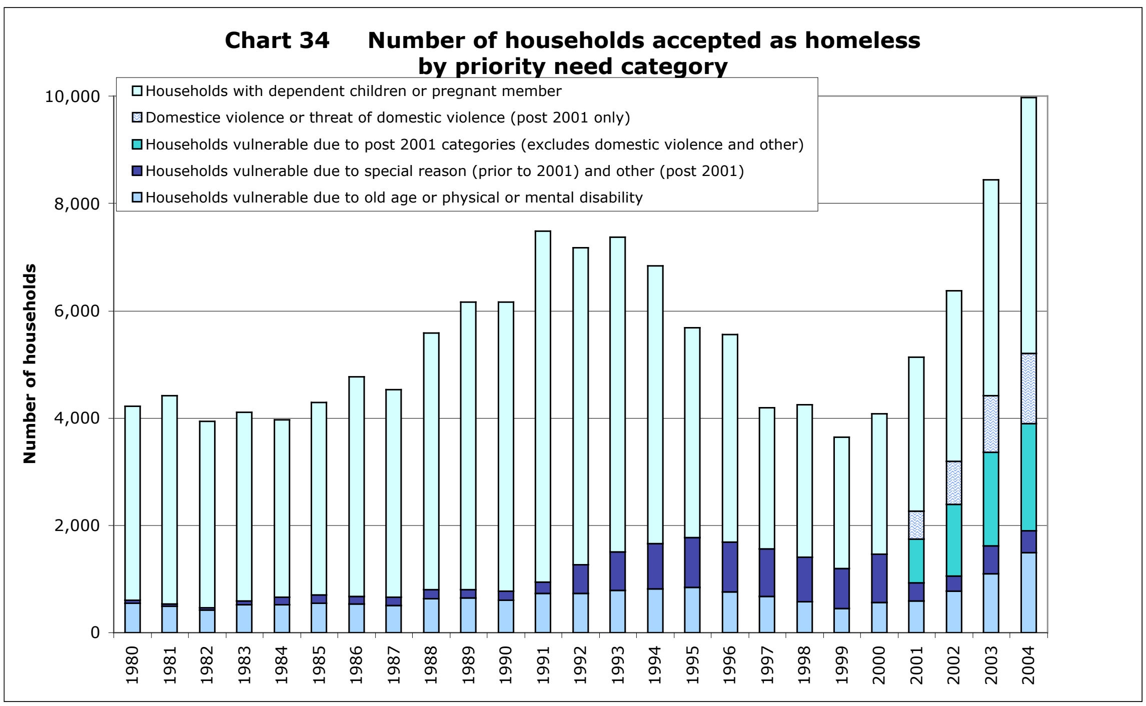
Chart 33 Homeless households not in priority need and those in priority need due to vulnerability
Households accepted as homeless but not in priority need
Homeless households in priority need due to vulnerability (excludes post 2001 domestic violence)
Number of households
6,000
5,000
4,000
3,000
2,000
1,000
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004

SECTION 4

Changes among households who are homeless and in priority need

Chart 34 below shows the breakdown of households in priority need by reason for priority. At the lowest point of homelessness, in 1999, 4,299 households were accepted as homeless and in priority need. By 2004/05, this had risen by two thirds to 7,088, a rise of 65%.

The number of households classified as in priority need because of the presence of dependent children or a pregnant household member, had risen from 2,450 in 1999 to 4,638 in 2004/05, a rise of 89%. The number of households classified as in priority need because of vulnerability had more than doubled, from 1,194 in 1999 to 3,105 in 2004/05, a rise of 160%.



However, Chart 40 below shows the same data, not as numbers but as proportions of the overall total of priority need cases.

It seems probable that the cases of domestic violence are primarily re-allocations from the family group. (It is implausible that an increase in the number of domestic violence cases from a recorded 0 in 1999 to 1,298 in 2004/05 could have occurred solely among childless women.) If this is the case, then it appears that the 'new' definitions of priority need groups introduced in 2001 have made only a marginal difference to the composition of homeless households in priority need, and hence to the rehousing responsibilities of local authorities.

Households in priority need due to their vulnerability as a consequence of old age, physical disability or mental disability or illness have shown only minor fluctuations over the last twenty five years, They were 13% of all priority need homeless in 1980, 13% in 2003 and 15% in 2004.

Household who were categorised as vulnerable for ‘special reasons’ prior to 2001 were only a small proportion of all priority need cases between 1980 (1.4%) and 1991 (2.7%). This group then grew rapidly as a proportion of all households in priority need, peaking at 21% of all priority need cases in 1997 and again at 22% in 2000. Over the five years from 1997 to 2001, this group averaged 21% of all priority need homeless cases.

From 2002, the proportion of cases of priority need homeless in the ‘post 2001’ categories has risen, to an average of 25.6% of all priority need homeless, over the four years from 2002 to 2004.

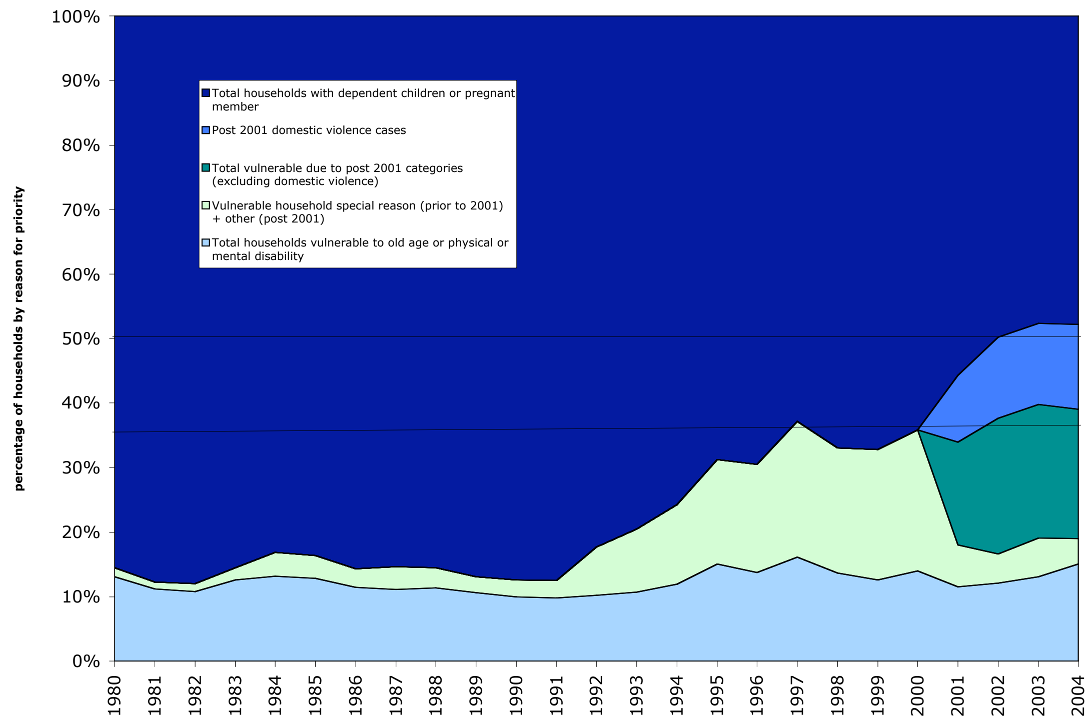
It would appear that the 2001 revision of the priority need categories has added perhaps 4.5% to the total number of acceptances of households as homeless and in priority need.

Over the two years 2003 and 2004, acceptances averaged 9,511 per annum (excluding the 75 emergency cases), of which an average of 2,370 were in priority need by reason of vulnerability (excluding cases of domestic violence).

If the total proportion of cases of vulnerability had remained at 21% of total acceptances, then there would have been an average of 1,896 cases per annum over the two years.

The total increase in the number of households accepted as a consequence of the 2001 priority need definitions is therefore of the order of 475 cases per annum, or an average of 22 additional cases per annum for each local authority.

Chart 35 Proportion of households accepted as homeless by priority need category



Since the low point in the number of acceptances was reached in 1999, the number of cases in the 'post 2001' categories (excluding domestic violence) has risen by 326%. However, this rise reflects the general increase in homelessness, rather than a disproportionate rise in the numbers of the vulnerable.

The rise in the number of cases in each category since 1999, at the low point of priority need acceptances, and since 2001, is shown in the table below.

Table: Current priority need categories: percentage increase in numbers to 2003/04 since 1999 and 2001

Priority need category	**1999**	**2001**
Households with dependent children or a pregnant member	189%	162%
Vulnerable due to domestic violence	n/a	245%
Other post 2001 vulnerable categories plus 'other' reasons	325%	208%
Vulnerable due to old age, physical disability or mental disability or illness	320%	248%
Total homeless and in priority need	269%	191%

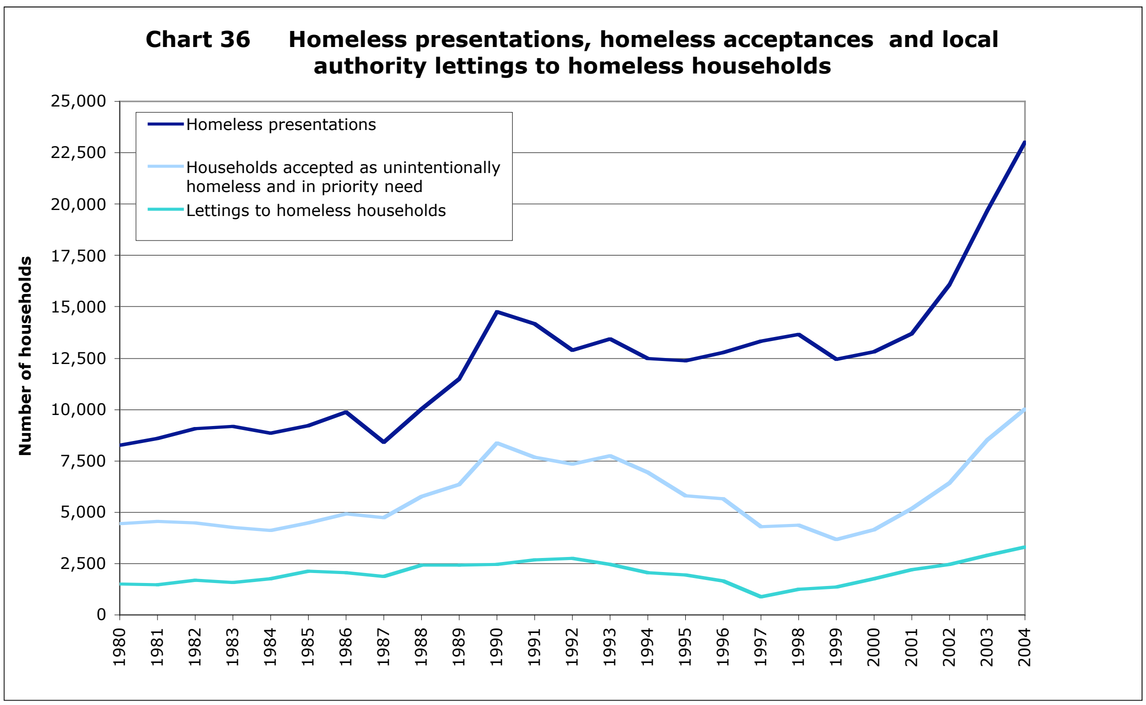
The table shows that the largest percentage growth in numbers since 2001 has been in the category of those vulnerable by reason of old age, or physical or mental disability or mental illness. The percentage growth in the numbers of the ‘post 2001’ categories, at 208% has been little more than the total growth in homelessness, at 191%.

SECTION 5

From presentation to acceptance to rehousing

There is a very considerable attrition rate between presentation as homeless, acceptance as homeless and in priority need, and actual rehousing in social housing.

Chart 36 below shows the comparative numbers in each group over the last twenty five years. Over that period, presentations have nearly trebled, rising by 178%, from 8,277 to 23,003, while acceptances have more than doubled, rising by 126%, from 4,445 to 10,040, and actual rehousings have rather more than doubled, rising by 115%, from 1,531 to 3,299.



It is clear that this attrition rate is critical in enabling local authorities to fulfil their statutory requirement to secure a settled home for households that are homeless and in priority need.

Chart 37 below shows that presentations have been more than 100% of local authority lettings in each period of housing stress, and that acceptances have been over 50% of available lettings during the same period.

A significant proportion of most local authorities' housing stock is designated for the elderly, and therefore is not available to meet the demand for rehousing the homeless (only 3% of priority homeless cases are people vulnerable due to old age: 149 cases out of 4,7561 during the first six months of 2005).

As a result of this limitation of the available stock, there is clearly a danger that if the proportion of acceptances that actually result in a rehousing starts to rise, then the problems of allocations and lettings for local authorities will intensify.

Until now, lettings to priority need homeless have only previously risen above 21% of all new lettings in one year (22.6% in 1992/93), and fell to an all time low of 5.3% in 1997/98, although the lowest number of acceptances was not reached until 1999. Since then, the proportion of new lettings allocated to priority need homeless has risen steadily to nearly 29% in 2004/05.

This suggests that the shift towards single people among the priority need homeless is raising the proportion of acceptances that are ultimately rehoused, as a consequence of the affordability, and availability, problems faced by single people, whether in trying to buy or in finding accommodation in the private rented sector.

Chart 37 Homeless presentations, acceptances and lettings to homeless households as a proportion of local authority lettings to new tenants

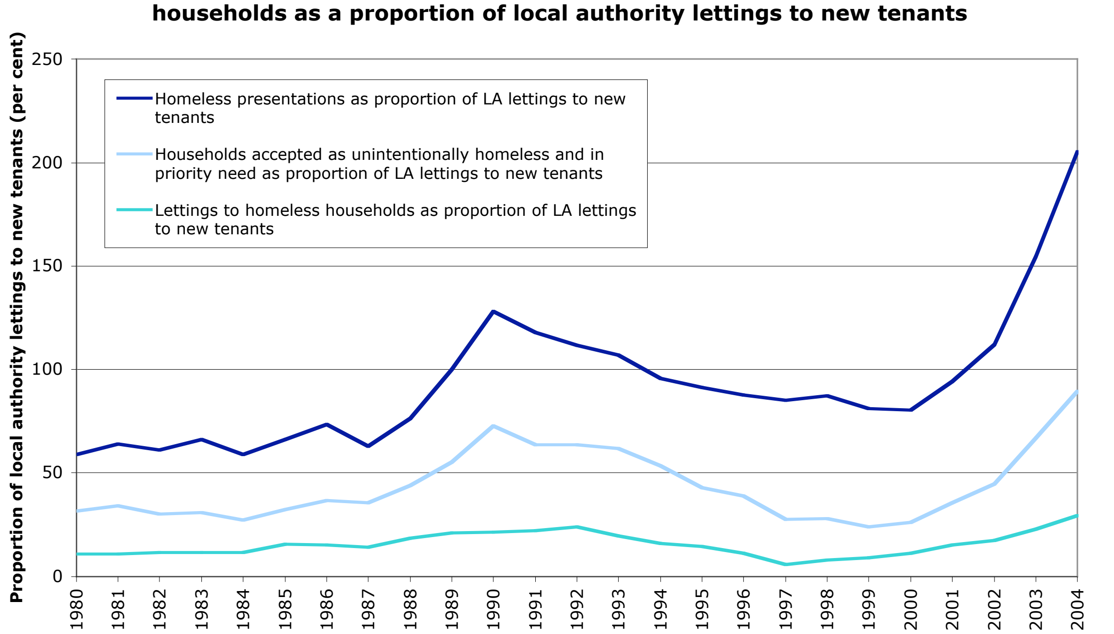
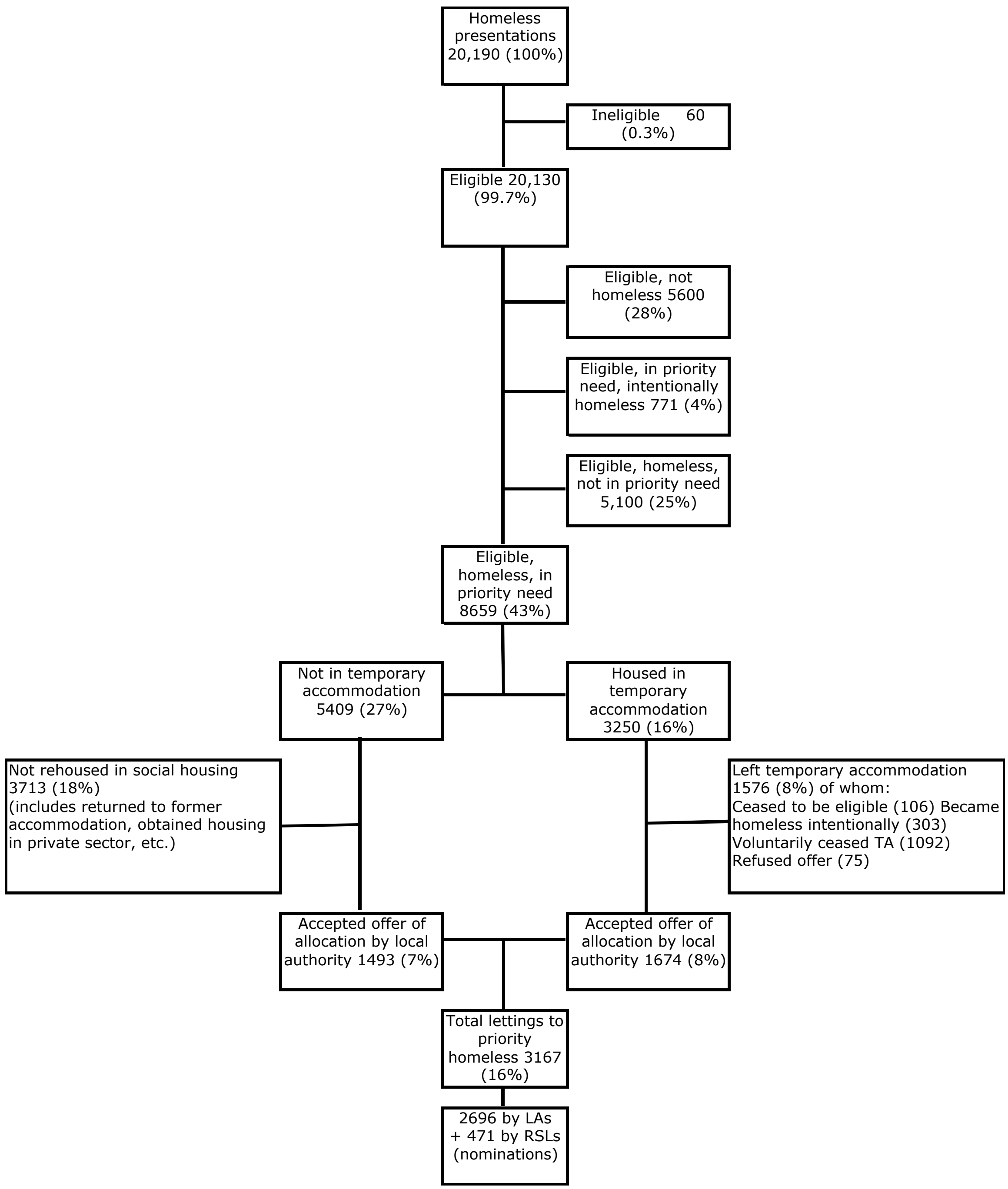


Chart 43 below analyses the attrition rate at each stage of the homelessness process. It shows that less than one in six (16%) of households that initially present as homeless are ultimately rehoused in social housing.

Rehousing the homeless: annual numbers of households, from homeless presentation to accepting the offer of an allocation



Note: 1. The numbers shown in each box are the average of 2002/03, 2003/04 and 2004/05 (where available).
2. The numbers in each box are also shown as a percentage of the initial number of households presenting as homeless (20,190).

The chart also shows that just over half (51.5%) of the households that become literally homeless, and are rehoused in temporary accommodation, are ultimately rehoused in social housing, whereas only just over a quarter (27.6%) of households who are potentially homeless but have not yet lost accommodation are rehoused in social housing. This clearly suggests that action to prevent literal homelessness would itself reduce the rehousing requirement for local authorities.

22 September 2006