



**Central Executive Council
Special Report on Housing**

GMB CONGRESS 2014

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Introduction and Summary of Recommendations for an Incoming Labour Government

Background

The last few years have seen major problems for thousands of households on moderate or lower incomes in all forms of housing. In 2005 the GMB Congress adopted a Report – ‘*A Fair Deal on Housing – quality affordable housing for all*’ which identified fundamental problems in housing provision with home ownership increasingly out of reach, the stock of affordable social housing declining, and escalating costs of inadequate private rented accommodation. That document also pointed out the detrimental wider social and economic repercussions of housing market failures and went on to suggest solutions.

Since 2005 things have become significantly worse. We have had the economic crash and credit crunch, a continued failure by both Labour and Coalition Governments to ensure enough new housing is being built and the drastic cutback by the coalition government in 2010 in resources for social housing and for local government generally.

Like thousands of others, GMB members and their families have faced problems in all housing sectors and all parts of the country and GMB Congresses have continued to draw attention to the problem and the need for radical new policies. A significant number of Resolutions on housing have been submitted for Congress 2014.

In order to give context to the debate at the 2014 Congress the CEC has produced an analysis and Report proposing new strategic policies for the housing market as a whole. This Report attempts to analyse current and past trends in housing and make radical but realistic proposals for a comprehensive housing strategy for an incoming Labour government. It will be for Congress to consider each policy area and make a final determination on GMB policy on all aspects of housing.

That strategy should look something like what is set out in summary in the following pages with the details in the Report Sections 5 and 7 from page 30 onwards.

Summary Strategy for an Incoming Labour Government

The Problem

Household formation is occurring at twice the rate that new dwellings are coming available. This means housing costs are rising in all tenures and most parts of the country. This is causing severe problems of affordability. This can only be tackled by a long term strategy including the doubling of recent levels of new build.

An incoming Labour Government from 2015 will need to make affordable housing a central part of its economic and social strategy. Some of the strategic and institutional changes will take time to put into full effect but the intention needs to be clear from the start with an immediate emergency programme and legislative action from the first session of the new Parliament.

Target

A target for new build homes of 250,000 per year plus a minimum of 30,000 empty homes brought back into use;

At least 80,000 of the target need to be in the social housing sector. This cannot be done without a major programme of Council house building.

Strategic Delivery

- All Housing Policy and resources for England focussed in one Whitehall Department
- A long Term Plan to switch over 20 year Government support from Housing Benefit to New Build and improvement
- Establishment of City Region level Housing Delivery Bodies with equivalent bodies in Devolved Administrations and for Rural Housing

Immediate Moves

- Halt the integration of Housing Benefit into Universal Credit
- Integrate and Redirect Support Guarantee Schemes from Help to Buy to Help to Build
- Fundamental Review of Social Housing 'Affordable Rents' Policy
- Stalled Developments of over 6 months face sanctions or be transferred
- Local Authority borrowing powers for housing to be redefined and the cap removed
- Introduction of Housing Bonds for Local Authorities, Housing Associations and Developers of Affordable Homes
- Start a Financial Conduct Authority Review of the Mortgage Market to achieve greater stability and equity
- Start discussions with Pension Funds on commitments and regulation to direct capital into all forms of affordable housing
- Start discussions with construction industry on shortages of finance, land and skilled labour and how to overcome them.

First Term Legislative Programme

- Compulsory Acquisition of Empty Homes
- Regulation of Private Rented Sector
- Changes to Planning Laws on land designation, mixed communities and social housing
- Legislative Basis for Housing Commissions at City Region level

- Separation of Regulatory and Funding Roles of HCA and establishment of an Affordable Homes Commission
- Improved Building Regulation on Housing Design
- Legislative Basis for Rural Housing Commission

Possible Second Session Legislative Programme

- Affordable Homes Commission and Rental Market Regulator
- Housing Bank
- New Towns

***Note:** There would also need to be parallel developments in the Devolved Administrations. Housing is, of course, a devolved matter. The position under the Devolved Administrations is included in some of the analysis and, to some extent, the policy proposals, but the Report is primarily addressed to housing policy in England.*

But can we afford it?

There will be those that say that as a nation we cannot afford the level of investment in housing this kind of target requires. But, in a more impoverished past we have found rather more resources for our housing needs as do other comparable nations today. Also, we have enough land for homes without concreting over the Green Belt or the countryside.

Of course we can afford it.

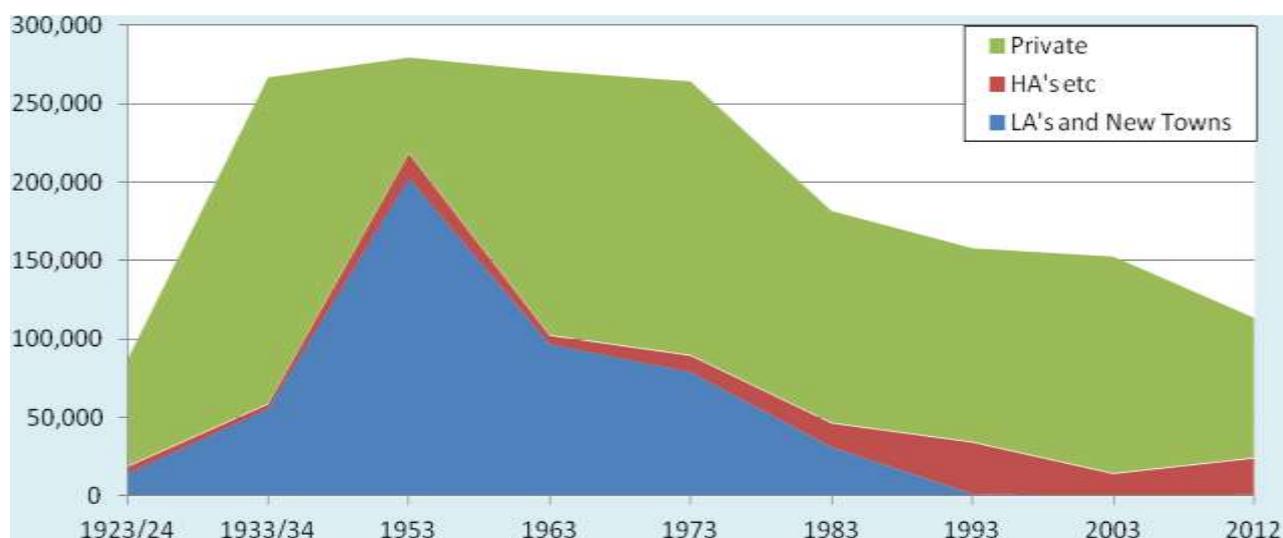
The real issue it is that we cannot afford not to.

Housing Report

1 Housing: The Central Issue

- 1.1 The central problem for housing in the UK is pretty straightforward. For the last three decades the number of new households requiring accommodation has been growing at nearly twice the rate of new dwellings becoming available. The latest estimates show the need for accommodation running at 260,000 extra households per annum against a completion rate for new build dwellings in 2013 of 110,000.
- 1.2 The rate of new household formation has increased gradually but steadily over recent decades; this reflects a number of factors – increased longevity, more single parent families and a greater propensity for families to split up through divorce and separation, as well as immigration and internal migration – that have all pushed the rate up. But those factors have been clear for some time and ought to have alerted policy makers to the need for a drastically increased supply of homes. Even allowing for some conversion and some re-utilisation of empty property this has meant that the rate of increase of housing supply needs to double, and without a drastic change in direction looks like continuing to do so. Instead, over the last three decades we have had a reducing total level of new build - through widely different political periods and dramatic changes in the balance of tenures – and in the last few years we have had a rate of house building lower than at any time – apart from the war years - since the 1920s.

Chart A: Total House Completions by Sector - 1923-2013



- 1.3 The drastic fall in house completions affected both private and social housing but private house building fell drastically in the recession but is now turning up again. It is the long run fall of new build in the social housing sector which is most dramatic. In recent years only a few hundred new council homes have been completed and only a few thousand new Housing Association properties. We need a step change in supply but in the last hundred years no previous step change in the level of new build and of new homes provided has ever been achievable without a major contribution from local authority housing.
- 1.4 The overall failure of supply in all sectors has inevitably led to massively higher house prices and unaffordable rents, increased overcrowding, increased instances of young people living with their aging parents until well into their thirties, huge and rising waiting lists for social housing - and ultimately increased homelessness and destitution.

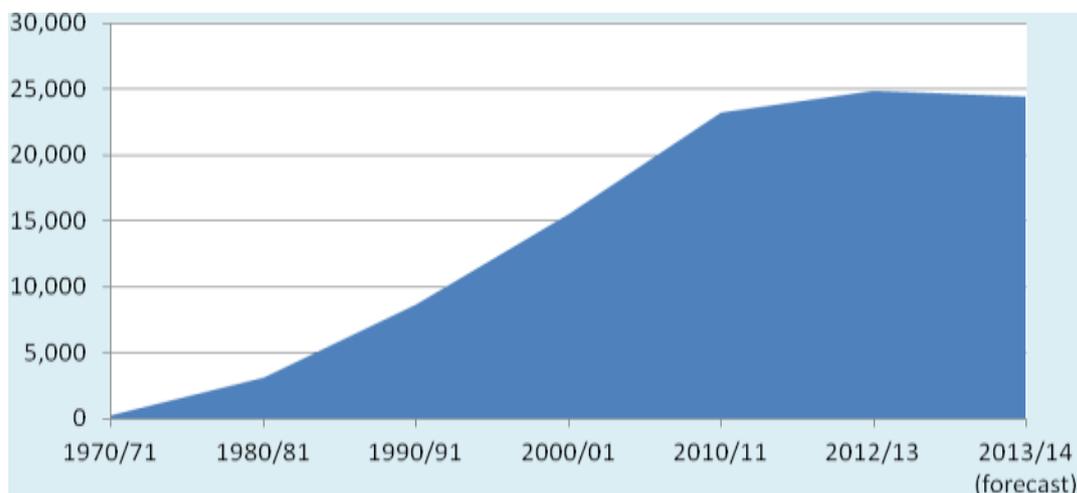
Table 1: Increase in Incomes, House Prices and Rents 1995-2013 (1990=100)

	1995	2014
Average Incomes	100	180
House Prices	100	259
Private rents	100	219
Social Rents	100	190
Ratio of House Prices to Average Incomes	3:1	7:1

These are aggregate figures. There are substantial differences between the nations and regions which this Report goes on to show.

- 1.5 There are also different effects and different policy implications for the three main sectors of housing – owner occupation, private rented sector and social housing – with the provision of social housing falling most rapidly in absolute terms and in relation to need – mostly as a direct result of the housing policies (or lack of them) of successive governments. It is important to recognise, however, that the three different sectors interact. High house prices, expensive mortgage repayments and unaffordable deposits push households into the private rented sector. High rents in the private rented sector lead to both pressure on social housing and to people taking on mortgages they cannot afford. Lack of social housing provision and rising social rents push families into the private rented sector. High prices and costs for first time buyers in the owner occupied sector push demand onto the private rented sector and hence higher rents there; the reduction of available social housing also pushes people onto the private rented sector; and Government imposed formulae cause social rents to reflect those in the private sector and hence costs rise there along with reduced availability.
- 1.6 These are all symptoms of one stark fact. We are not providing enough affordable housing for our people. And without drastic change of strategy we look set to continue to do so.
- 1.7 The effect of all this is partially obscured – and the impact on low income budgets partially cushioned - by the burgeoning expenditure on **Housing Benefit**.

Chart B: The Growth of Housing Benefit 1970-2013, Total Expenditure (£m)



Housing and Inequality

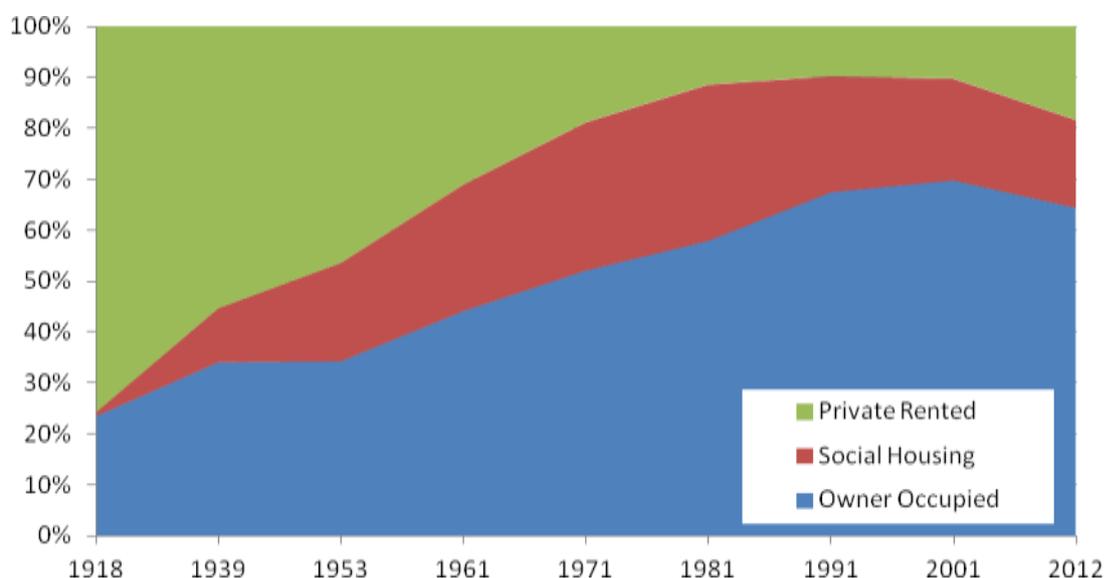
- 1.8 The net outcome of decades of failure of housing supply in all tenures to meet demand and of swings in government policy and funding is not only just that housing has become hugely expensive but also that housing availability, affordability and policy have become both cause and effect of the wider story of growing inequality – by income, by class, by geography and by tenure - that is so afflicting our society. If we could achieve a long term housing policy that addressed the supply and affordability issues we would also be making a contribution to reversing some of the other fundamental trends in inequality.

2 The History – the long view

This section looks at the long run changes in tenure and in house building to put the present predicament in context.

- 2.1 Over the past century there have been dramatic swings in the balance of tenure of housing in Britain. Before and after the First World War the vast majority of people – nearly 80% - lived in accommodation rented from private landlords. Whole streets of towns were given over to crowded working class private rented housing. In general only the Upper Middle classes and above – less than a quarter of the population - owned their own homes.
- 2.2 There was minimal provision of what is now called social housing and that mainly provided by the Victorian philanthropic trusts – Peabody, Carnegie, Cadogan, Sutton etc – without state support, though local councils were starting to build homes for rent after the legislation of 1907.

Chart C: A Century of Changing Patterns of Tenure, 1918-2012



- 2.3 The **interwar years** saw major increases in owner occupation with the development of the suburbs and the advent from the twenties of bank and building society mortgage availability to the middle classes and respectable working class families. The twenties also saw the beginning of significant council house building – first in Scotland and then - following the first Labour Government’s Housing Act on a national basis - of significant council house provision.

Table 2: Interwar Rates of Completion of Homes

	Total	Private	Social Housing
1920s	86,200	67,500	18,700
1930s	266,600	207,900	58,700

Even so, up to and through the Second World War and into the fifties the majority of households lived in private rented accommodation.

- 2.4 In the **Post-war period** from the 1945 Government onwards the Labour Government’s strategy represented a new start. Nye Bevan was the Minister of Health and Housing. His vision was to end the segregation of housing by tenure and class. In his famous phrase (quoted in the 2005 GMB Congress document) he wanted to abolish the notion of ‘working class housing’ and turn streets into *‘living tapestries where the doctor, the grocer and the*

butcher and the farm labourer' lived side by side. Publicly provided housing for all social groups was part of that vision. There was substantial political backing through periods of both Labour and Conservative Governments for provision of quality Council Housing – built to Parker Morris standards and much superior to the majority of private rented – and indeed to some owner occupied housing. Social Housing – for the most part **Council housing** ie houses directly provided by the local authority continued to grow and to provide secure tenured accommodation for all income groups. Although the traditional Housing Associations and Trusts always played a part they were nowhere near as significant as Council housing in the provision of social housing.

Table 3: From the Fifties to the Seventies: Rate of Completions of New Dwellings per annum

	Total	Private	Social Housing
1940s	131,000	30,000	101,000
1950s	233,000	82,000	151,000
1960s	301,000	178,000	123,000
1970s	257,000	141,000	116,000

- 2.5 Through this period **owner occupation** was growing rapidly with increasing incomes and increasingly easy mortgages. New build and conversion for owner occupation soared and owner occupation had displaced private rented as the largest sector by the sixties and went to over 60% of all households by the eighties.
- 2.6 Meanwhile the **private rented sector** declined rapidly to become in most instances a short term option and a residual market. What had been the dominant form of tenure only forty years earlier had declined to only 9% of all households at the 1991 Census. It is now claimed that this was a result of landlords pulling out of the market due to rent controls but the main reason was the availability of mortgages and social housing lets for the kind of families that previously had only been able to rent from private landlords.
- 2.7 Throughout the post-war period up to the eighties there was more or less a consensus that permanent housing was mainly of two sorts – you either owned your own home (or more likely were paying off a mortgage) or you were a Council House tenant.
- 2.8 Owning your own home came to be seen as the ‘norm’ with the housing life cycle being seen as a ‘housing ladder’ a short period when single in private rented accommodation, followed by a ‘first time buy’ usually a small house or flat on marriage; and then a more expensive, larger house as the family grew. And the house provided an inheritance for your children.
- 2.9 Most people recognised that there was also a need for an alternative and an option – not necessarily confined to the low income groups – of providing secure social housing for families and pensioners. In both cases you had security of tenure – as long as you could afford the rent or mortgage payments. And in both cases you were supported by government policy and fiscal provision. Council rents were kept at broadly affordable levels – and well below private rents in most cases. And mortgage holders were prevented from overstretching themselves by building society and banking practice and Treasury rules restricting advances to about 2.25 of (joint) salary and by tax relief on mortgage interest.
- 2.10 This was certainly not ‘parity of esteem’ but it was a recognition that both forms of tenure were needed and were valid and both required security and government support. And there was a degree of political consensus to that effect.

3 The Politicisation of Housing

This Section looks at the ways in which the ideologies and policies of recent Governments have directly affected the housing market.

Thatcher: The Right to Buy and Deregulation

Table 4: The Thatcher Years: Deregulation and the Right to Buy

	1979	1997
Average House Prices	£20,000	£76,000
New Build UK (of which Social Housing) (000s)	252,000 (133,000)	191,000 (29,000)
Private Rents per week	£30	£62
Social Housing Rents per week	£7	£41
Owner Occupation	57%	69%
Social Housing	32%	19%
Private Rented	11%	10%

- 3.1 Previous Conservative governments – despite the frequent rhetoric of the Tory Right and their friends in the media - had largely maintained the post war consensus on housing. Indeed the highest levels of council house building were achieved under Conservative governments with Harold Macmillan as Housing Minister. The Thatcher Government with its central theme of a property owning democracy and a penchant for privatisation decisively broke with that consensus. In particular they targeted council housing. The resources for local authorities had been severely hit after the 1976 IMF crisis under the previous Labour Government but it was the Thatcher government that started to put the brake on hard on all local authority expenditure on council housing – new build and maintenance.
- 3.2 They then introduced a national **Right to Buy** for council tenants. It should be recalled that many local authorities – including prominent Labour controlled ones – had previously sold off some properties to sitting tenants but that had been a matter of local discretion and terms and the money was usually used for reinvestment in the rest of the council’s housing stock. The move to a national right to buy on terms determined centrally – with very large discounts - was a dramatic change. It was also hugely popular amongst council tenants and that in part helped sustain the Conservatives in office for 18 years. Over the first ten years in the UK as a whole over two million tenants acquired their own council flats and houses.

Table 5: From the Eighties to Now: Rate of Completions of New Dwellings per annum: GB

	Total	Private	Social Housing
1980s	180,317	131,249	44,068
1990s	150,419	124,704	25,716
2000s	146,947	127,704	18,999
2010s	133,000	107,000	16,000

- 3.3 Some analysts detect an underlying slowdown of the move to owner occupation by the late eighties but the figures were undoubtedly boosted upwards again by the Thatcher Government’s introduction of Right to Buy for Council flats and houses. Of the peak figure for owner occupation – 72% in 2006 – around 8% represented properties purchased under Right to Buy.
- 3.4 Right to Buy was always a deeply divisive political issue and marked the end of any de facto consensus on housing policy. It was undoubtedly a popular policy and gave thousands of

council tenants – including many GMB members and other moderately paid trade unionists and their families - the only affordable opportunity they were ever going to see of getting on the housing ladder. This Report deals below with the current position on Right to Buy and what to do about it. But both then and now the crucial flaw in Right to Buy has been the deliberate decision not to use the receipts from Right to Buy sales to help invest one for one in new social housing to keep up the stock. A decision that was regrettably not significantly altered by the 1997 Labour Government.

- 3.5 Hence the reduction in social housing under Right to Buy had two effects : the size of the social housing sector reduced significantly; but new – mainly young - households who increasingly could not get onto the ‘housing ladder’ had no option but to move to the Private Rented Sector.
- 3.6 The key problem with Right to Buy was what happened to the money received. Not only were councils not required to use the receipts to improve or replenish their own housing stock – they were expressly forbidden to do so. Moreover access to borrowing by local authorities was constrained and the level of new build council housing fell drastically. Insofar as the Government still supported social housing it preferred to see it delivered by the Third Sector ie mainly Housing Associations (although it should be noted that this was not by any means the view of all Conservatives in local government).
- 3.7 The deregulation of private landlords and private rents – started under the Heath Government – was completed under Thatcher – but this did not bring a flood of new properties for rent – on the contrary as a proportion the private rented sector continued to shrink.
- 3.8 Meanwhile owner occupation was encouraged and the mortgage market boomed. Although mortgage tax relief started to be phased out under John Major towards the back end of this period, there was full regulatory and fiscal support for the extension of mortgages into new areas. Owner occupation grew from 57% to nearly 70% during the eighteen Thatcher/Major years.

New Labour: Decent Homes, Stock Transfers, Rent Restructuring and Credit Crunch

Table 6: The New Labour Record 1997-2010

	1997	2010
Average House Prices	£76,000	£251,000
New Build UK (<i>of which social housing</i>) (000s)	181,000 (25,000)	138,000 (29,000)
Private Rents per week	£72	£150
Social Housing Rents per week	£41	£67
Owner Occupation (%)	69	67
Social Housing (%)	19	17
Private Rented (%)	10	16

- 3.9 The new Labour Government from 1997 wanted to change direction but required resources to do so. In the 1999 Comprehensive Spending Review substantial resources - £4bn a year in 1999 prices - were made available for public sector housing from the Treasury. It was decided that the top priority was to improve the quality of existing council housing – particularly the large 1960s urban council estates which had suffered severe neglect and dilapidation during the Thatcher years with consequent problems for the quality of life in those areas. This became the Decent Homes programme and did significantly improve the quality of many thousands of council estates and properties, although some of the delivery was inept. This choice to go for improvement rather than new build was a completely understandable decision on priorities but in retrospect it was a mistake – it meant that

resources available to local authorities from the centre for new build were seriously inadequate to deal with the growing needs gap.

- 3.10 Meanwhile tight Treasury control maintained restrictions on local authority borrowing by continuing to include local authority borrowing for creation of new (housing) assets as part of the public borrowing requirement – something that is not the case in other comparable economies (see below).
- 3.11 On Right to Buy the new government did not reverse the policy but did reduce the discount and hence the demand for RTB particularly in London and other areas of rising house prices. Most importantly however the rules restricting use of the revenues from Right to Buy to invest were only partially lifted and little of the money was recycled into new build.
- 3.12 Concerns about local authority finance and the state of some authorities Housing Revenue Accounts led to a focus on the level of rents paid by council tenants. This led to the Rent Restructuring requirements which consisted of a formula to take account of local income levels and the level of local private sector rents to - by stages - raise the level of rents required of council and housing association tenants.
- 3.13 Most dramatically the Labour Government encouraged and incentivised councils to further divest themselves of their housing stock. Most **stock transfers** were subject to votes by tenants. Some of the 'Yes' campaigns promised a lot more than was delivered by the new providers but it is also fair to say that there are many examples of an improvement in the experience of tenants after transfer. Many Housing Associations – partly through mergers – significantly increased their property portfolios in this period. Local Authority stock fell substantially. To date stock transfers have occurred with 1.2million formerly local authority buildings across Great Britain.
- 3.14 Councils also engaged in transfer of management but not of ownership to the newly invented concept of ALMOS – Arms Length Management Organisations who are mostly private companies. ALMOs have taken on significant numbers of former Council staff – in the higher echelons at enhanced salaries and in the lower echelons often on reduced conditions. The transfer of management to ALMOs in most cases did not require a ballot of tenants. There have been mixed results: some have improved tenant satisfaction but in other cases there have been problems and a significant number of authorities – Sheffield, Leeds, Ealing for example - have seen failures by ALMOs and taken back in house their housing responsibilities. Others are known to have considered doing so but the financial costs are a major disincentive. In some cases the move to an ALMO is clearly the first step to full privatisation.
- 3.15 This is a reflection in the bias in central government support between stock retaining and stock and management transferring authorities. Support was given to authorities engaged in stock transferring, to developments with a private finance element or to transfer of management to Arms Length Management Organisations – but not to Councils who wished to invest directly in social housing and manage their own housing stock.. Indeed the last major GMB Congress document on housing in 2005 was largely concerned with pressing for a 'fourth option' of direct investment by Council. Although gaining significant support in the Labour Movement the government did not countenance this 'fourth option'.
- 3.16 When the economic crisis and credit crunch struck in 2007/8 there were multiple effects in the private sector: mortgage advances dried up, house prices fell in most parts of the country, many owner occupiers were into negative equity. Much of the blame for the crash was laid on banks and mortgage providers advancing too easily to the so called 'sub prime' market (ie lower income households) and hence requirements for deposits increased and closed the market to many. Total new build fell to its lowest level since the 1920s and new build for social housing fell to a trickle.

- 3.17 The fallback in the proportion of households in owner occupation – from 71% in 2005 to 63% in 2013 was unprecedented and largely unpredicted. It may be that we have reached saturation point in owner occupation – after all many high income continental European countries like Germany have much lower levels of home ownership and much higher levels of private and cooperatively rented accommodation. But given the profound attachment to ownership in this country it is more likely that we will continue to see growing demand for home ownership return. Whether that demand can be met is another matter.
- 3.18 The fact is that owner occupation via mortgages remains overwhelmingly the dominant form of tenure – and the most socially desirable and hence the most politically sensitive. Moreover, the state of the mortgage market and of house prices determine largely what is happening in the other sectors. If access to first time mortgages is restricted or prices and deposits unaffordable then the pressures on the Private Rented sector and on the Social Sector grow. Rents in the Private Rented sector inevitably rise; and successive Governments have introduced formulae to ensure that social rents also rise to reflect the private sector.
- 3.19 In the last few years of the New Labour government Housing Ministers did recognise the central problem of shortage of supply relative to the rate of new household formation. Attempts were made by the Government to introduce new paradigms of house purchase eg from rent to mortgage, shared equity etc and to provide schemes for key workers in areas of high housing stress; these had very limited success and did not have a wide take up by either developers and builders or by potential householders themselves. Prospects for a programme of new build of carbon zero homes in the Eco Towns project also came to nothing.

The Coalition: Cuts, new schemes and the Bedroom Tax

Table 7: The Coalition’s Performance

	2010	2014 (est.)
Average House Prices	£251,000	£257,000
New Build (<i>of which Social Housing</i>)	138,000 (29,000)	131,000 (25,000)
Private Rents per week	£151	£160
Social Housing Rents per week	£67	£74
Owner Occupation	67%	64%
Social Housing	17%	16%
Private Rented	16%	20%

- 3.20 The Coalition have coupled their general pursuit of an austerity programme with disproportionate cuts falling on local authority budgets - and an antipathy to local authority housing. One of their first acts was to cut by sixty percent the subsidy for social housing that was provided in England via the Housing and Communities Agency. They also – as part of the dismantling of all English Regional structures - abolished regional targets for new and affordable housing which under Labour had been the most important planning lever for driving new build – albeit unsuccessfully in most regions. Instead the Coalition concentrated on reforming the planning procedures and legislated for what they saw as greater localism - in a self contradictory way, on the one hand loosening the planning laws and introducing a presumption in favour of ‘sustainable development’ in the New National Planning Framework, and on the other hand giving local communities a veto. The presumption for development raised the ire of countryside and environmental groups; the local referendum veto gave extra leverage to nimbyism.
- 3.21 Reform of the **Housing Revenue Account** started under the Labour Government has been completed under the coalition. It purports to give greater autonomy to Councils - and does to some degree - but they are hobbled by the final Treasury imposed settlement whereby

Councils in England were landed with over £34bn of historic debt which limits their ability to raise money for new build.

- 3.22 The Coalition have seriously undermined planning authorities insistence on having an 'affordable housing' element as a percentage of all large developments under **Section 106 Agreements** and equivalents – which has often been the only way any social housing or affordable housing for any form of tenure got built.
- 3.23 They have also have attempted to breathe new life into the **Right to Buy** market with increased levels of discount: they claimed that the receipts from RTB would be ploughed back into new social housing – originally claiming this would be on a 'one for one' basis. In practice the outcome has been over 20,000 Right to Buy sales under this government with only 2,000 new homes built from receipts - a ratio of ten out : one in.
- 3.24 Post recession mortgage advances have been sticky and the net result was further falls in overall housing starts and a further growth – encouraged by further fiscal measures – in the Buy to Let market. In November 2011 the Coalition produced the nearest thing they had to a housing strategy – in the White Paper *Laying the Foundations – a Housing Strategy for England*. That document recognised the seriousness of the problem and set out a number of new interventions but it was rapidly overtaken by events. By 2012 house prices began to revive particularly in London and the Government began to react to the growing political and public concern at the lack of housing supply. They introduced a remarkably complex series of schemes to try to revive the market culminating in the Help to Buy scheme guaranteeing mortgage payments.
- 3.25 The full range of these new schemes both before and since the White Paper is shown in the Table below. There is some overlap between these programmes.

Table 8: Support for Housing Schemes, Full list of Schemes introduced by the present Coalition Government

New Homes Bonus	Private Rented Sector Guarantee Scheme
Affordable Homes Programme	Get Britain Building
Affordable Rent to Buy	Going Place Fund
Affordable Housing Guarantee Scheme	Local Grants Fund (Housing Infrastructure)
Help to Buy Equity Loan	Builders Finance Fund (Small Sites)
Urban Development Corporation (Ebbsfleet New Town)	Estate Regeneration Fund (Barking)
Help to Buy: New Buy	First Buy
Help to Buy : Mortgage Guarantee	Custom Build Homes (Self build)
Build to Rent	Empty Homes Initiative
Source: Reply to Written Question May 2014	

- 3.26 So one can hardly complain that the Coalition have been inactive on housing. The trouble is that many of this range of initiatives have either been ineffective - or counterproductive in that they now threatened a new Housing Bubble. And the rest have not adequately delivered.
- 3.27 On the 'Affordable Homes Programme' there is Government expenditure funnelled mainly to Housing Associations in England via the GLA in London and the HCA elsewhere in England. After cutting the social housing part of the budget by over 60% the Coalition have, for this Spending Round (2011/15), set a target of 80,000 new homes and are on course to exceed that at about 88,000 over the five years, which is of course less than 18,000 per annum . It is also within this at the end of 2012/13 about 69,000 of approvals had been for 'Affordable Rent' and the other 19,000 for 'Affordable Home ownership'.

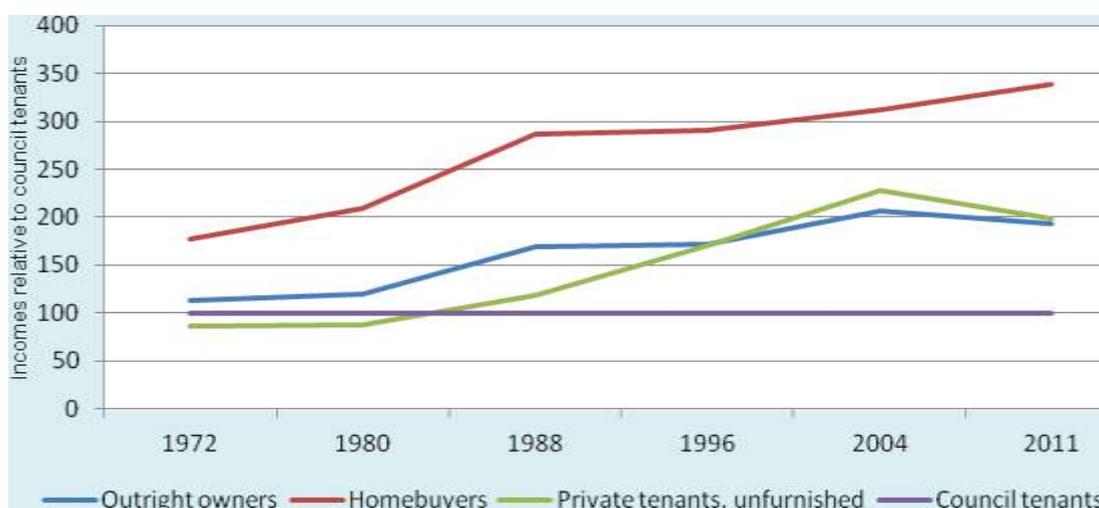
Table 9: The Affordable Housing Strategy for England, 2011/2015

Social Rent	Nil
Affordable Rent	69,694
Intermediate Rent	Nil
Affordable Home Ownership	18,853
Total	88,000

- 3.28 It is also important to note that this is not traditional council housing. Virtually none of it goes into local authority new build and within the social sector the intention is to move from housing for 'social rent' to 'affordable rent'. Up to the end of 2012/13 the majority were on 'social rent' but in future the bulk of housing via Housing Associations will be at 'Affordable Rent' and for most Regions that level is already approaching 80% of market rent although it is still 69% in London.
- 3.29 On the private sector side - home ownership and Buy to Rent - most of these schemes are on the demand side. The only significant statement of intent on the supply side has been the now reiterated commitment to build **Ebbsfleet** as a New Town with 15,000 dwellings.
- 3.30 The **Private Rented sector's** long decline into residuality had started to reverse during New Labour's period in office and by the time of the 2011 Census private renting households had proportionately doubled to 20% and the sector was again larger than the social rented sector. For thousands of individuals and families in their twenties and thirties it really is '**Generation Rent**'
- 3.31 The recent Report by the Public Accounts Committee (*29th Report of session 2013-14: HC114*) suggests strongly that the first of these schemes – the **New Homes Bonus** cannot be shown to have worked and the Government at the last count were still evaluating it. For some of the other schemes where the Government has indicated their estimated number of new homes that will be brought onto the market as a result of these schemes; but there is some overlap and the basis of these figures is not entirely consistent. Because Help to Buy and other schemes focussed on the demand side and not on supply economists are predicting a dangerous housing bubble. This has certainly occurred in central London aggravated by an influx of overseas money buying up central London property. Recent Bank of England warnings and the Financial Conduct Authority's new regulation on mortgage advances may slow down demand and hence the price escalation.
- 3.32 The Coalition criticise the level of **social housing** they inherited but have done little for new supply on the social housing side. Their constraints on local authority spending and the indirect effects of welfare reform on the finances and credit worthiness of Housing Associations have prevented any revival in new build except in very limited areas, and have encouraged Housing Associations to sell off prime property on the open market.
- 3.33 There has been an attempt to reallocate space within social housing and to query the traditional security of tenure. Ostensibly because of the general shortage of social housing and the need to ensure people are housed in appropriately sized flats and houses, the Coalition have introduced the '**Bedroom Tax**' to try to prise out 'under occupiers' in the social housing sector who receive housing benefit – although the sanction does not apply to pensioners, the group most likely to be 'under occupying' a property. Perhaps pensioners votes even in social housing are too important. The impact of the Bedroom Tax on lots of families – not least those with disabled members – has been widely documented elsewhere. In practice the policy is unlikely to release much property that will be appropriate for families – largely because there is in most areas little provision of smaller single bedroom premises supposedly more appropriate to the 'under occupiers'. In practice they will either pay the extra, go into arrears or sublet – but rarely release their homes. Apart from the unfairness the policy will just not work.

- 3.34 On **social rents** the Coalition have taken rent restructuring several stages further under the somewhat Orwellian title of '**Affordable Rents**' and introduced a target affordable rent of 80% of the private sector market rent. We therefore have parallel systems of 'social rents' and 'affordable rents' with new tenants on the higher rent. Affordable Rents are already virtually at 80% for new lettings outside London. In London given the sky high private rent the 'affordable' level is only at 69% of private rents.
- 3.35 With private rents having risen and still rising in areas of high housing stress this linkage formula is also now making social housing unaffordable in London and many cities and to push more low income households out of central areas unable to afford either private or social rents. Whilst at the same time the Government are trying to reduce levels of Housing Benefit.
- 3.36 In the seventies the average income of Council tenants was more or less on a par with that of private tenants and older owner occupiers who owned outright. Council Tenants are now much more clearly the lowest income families.

Chart D: Income of Council Tenants Compared to other Tenures: 1970s to present



- 3.37 The net result will be further housing segregation between rich and poor and between different forms of tenure: the opposite of what is needed for community cohesion.

*Meanwhile the **Labour Party** in Opposition have begun to rethink their whole approach to housing. Amongst other things they have already announced a target of 200,000 new homes pa by 2020; they have committed to a system of regulation for private sector landlords; they have called for a fairer housing and land market and greater cooperation between local authorities on planning and housing needs; and they have engaged Sir Michael Lyons to look at how ambitious levels of new build can best be achieved – to be published by the Summer. A fuller policy statement is in the process of being pulled together for Party Conference and for the General Election campaign.*

The Devolved Administrations: Differing Perspectives

- 3.38 Housing is now a devolved matter in all three devolved administrations. In Northern Ireland housing has been a devolved issue through all the stages of Stormont and Direct Rule and has developed its own features in particular the role of the Northern Ireland Housing Executive. Until devolution England and Wales were under the same regime and in Scotland there was a degree of administrative devolution before full political devolution. Since 2000 full devolution in Scotland and Wales have seen some differences from the role of the Westminster government in England. Of course the all important financial side with its effects

on the mortgage market is a UK Government responsibility. The net result has been that most of the history of the changes in tenure and provision have not been that different in all three countries but there now are some significant policy changes emerging.

Scotland

- 3.39 The change in tenure over forty years has been dramatic. In the seventies over half of Scottish homes were in local authority housing; that is now only 13% with another 11% in Housing Associations. The rate of take up of Right To Buy in Scotland was proportionately higher than almost anywhere else in the UK with nearly half a million homes going from local authority to private housing.

Table 10: Changing Tenure in Scotland (%)

	1971	2011
Council Housing	52	13
Housing Association	1	11
Private Rented	16	12
Owner Occupied	31	64

- 3.40 In general there is less housing stress and less pressure on house prices in Scotland, although there are exceptions like Aberdeen and Edinburgh. Even so house prices in Scotland have on average recovered pre 2007 levels whereas they have not done so in the Northern Regions of England. The rate of new build is still very low though recovering a little. Waiting lists are over 400,000 and the lack of social housing has seen a revival of the private rented sector. Rents in Scottish social housing have been kept relatively low; that has been seen in recent studies (eg. *University of Glasgow and Joseph Rowntree*) as a significant contribution to reducing poverty in Scotland – but the switch to private rented with higher rents as a setback.
- 3.41 The Scottish Government have been more supportive of social housing than Westminster despite similar Treasury constraints. The immediate cut by the Coalition to affordable housing in England was 64%; in Scotland it was ‘only’ 34%.
- 3.42 The most dramatic difference between Scotland and England on housing policy has been on the post devolution attitude to **Right to Buy**. The RTB was restricted to existing tenants in 2002 and discounts and eligibility reduced in 2011. In 2013 it was announced that RTB would cease entirely by 2017.
- 3.43 The Scottish government has issued a long term housing strategy to 2035 which covers all tenures. That envisages a need for new housing over the whole of that period running at 5,000 new homes per year. That looks to be below the level demographic studies would suggest but is well above what is being achieved at the moment.

Wales

- 3.44 The Welsh housing market has had the highest level of home ownership in the UK but the housing market differs significantly in different parts of Wales. The most recent Welsh Government policy statement (*Homes for Wales 2012*) takes a strategic view to 2036 and is based on a high projected growth in housing need in the Cardiff area (+59%) and the Swansea area(+22%) with most of the rest of the country being below 10%. Those projections give an annual rate of household growth at 8,000 per year – over twice the current rate of new build.
- 3.45 The decline in the proportion of households in social housing has fallen from 29% in the seventies to 16% now – broadly in line with that in England with Housing Associations now accounting for two thirds of the social housing stock. The Welsh Government wish to see

significant new investment in social housing as well as tackling the very high level of empty homes in Wales, which also has a high level of second homes.

3.46 The level of new affordable homes in the strategy is:

Table 11: Wales Affordable Homes Strategy

<p>7,500 of which 500 will Cooperative Housing 5,000 Empty Properties brought back into use.</p>

This ambition is however twice the level of recent years new build or new availability.

Northern Ireland

3.47 During the boom years Northern Ireland house prices rose faster than most of England – then fell further post 2007 and have yet to recover.

3.48 The individual local authorities do not hold housing stock in Northern Ireland – partly a reflection of the fraught politics of the province. The local authority role is exerted only really via the Housing Council which acts in an advisory role to both NIHE and the Government Department (DSD). Since 1971 almost the sole provider of social housing was the Northern Ireland Housing Executive which also played the central role in overall housing policy in the province – providing funding, setting standards, delivering the decent homes standard, and advising government. In recent years however there has been a major shift in provision to housing associations. There has also been the Northern Ireland version of RTB – the Home Sales Scheme. The NIHE remains the funding channel for most social housing and at the moment is still a major landlord – but the decision has been taken in principle that NIHE will cease to be a provider and manager of housing stock and remaining stock will be transferred to housing associations (and possibly in the longer term to the new local authorities). This will change the landscape of Northern Ireland’s housing policy significantly as NIHE has been the key driver hitherto.

3.49 The Northern Ireland Government Strategy (*Facing the Future 2012*) envisages a build of social and affordable housing at the rate of 2,000 pa. However the allocation for net capital investment in housing has been falling:

Table 12: Net Housing Investment Funding in Northern Ireland, 2011/15

2011/12	£130m
2012/13	£89m
2013/14	£74m
2014/15	£90m

Again the level of build needed is above the level of new build currently being financed or achieved.

The three devolved administration have therefore all drawn up both five year and long term housing strategies with a major emphasis on social/affordable housing. Current outturns on new build for either the private or the social housing sectors however do yet matchup to the annual new build implied by the strategies.

4 Where we are now: Dysfunction in all Housing Markets

This Section looks at each of the current position on affordability of housing and the prospects in each of the main housing forms of housing tenure – and then looks specifically at the position in rural areas and in London.

Housing Costs and Affordability

- 4.1 In all parts of the housing market – owner occupation, private rented and social housing there is a huge problem of affordability and availability. Each of these sectors is dysfunctional; and the dysfunction in each affects the others.

‘Affordability’ does not have a clear definition. And the term ‘affordable has been used by the present Government in a kind of ‘newspeak’ for the marketisation of social rents to a level which is clearly not affordable to low income families – certainly without Housing Benefit. Academics have sometimes defined affordable as something along the lines of ‘housing costs of no more than a third of household income after tax and before benefits’. In those terms a significant proportion of the population – first time buyers without a deposit from the ‘Bank of Mum and Dad’; those attempting a move to a larger house or a more expensive area; leaseholders faced with escalating service charges, higher rents for private tenants, and social housing tenants - all face increasingly unaffordable housing costs.

Over the past twenty years the proportion of our household incomes directed to housing expenditure has increased almost across the board but particularly for families, for lower income groups and for and younger households.

Owner Occupiers: The Delusion of ever Higher House Prices

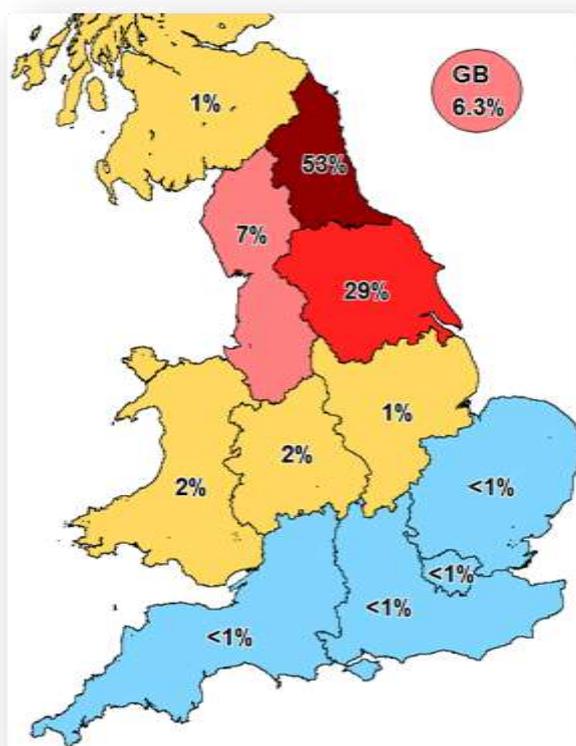
- 4.2 The politics of housing need to take into account the fact that this crisis of housing costs is actually not a problem for all of the population – indeed it probably affects considerably less than fifty percent of all households. And it is this other half who are most likely to vote and for whom an increase in house prices appears to be actually good news....
- 4.3 The two thirds of households classified as owner occupiers are by no means a homogenous group. Of the 14.3m owner occupiers in England in 2013 just under half had fully paid off their mortgages: they are almost completely immune from the escalating costs and recent turmoil in the housing market.

Table 13: Breakdown of Owner Occupation in Great Britain, 2013

Owned Outright	7,152,000
Paying Mortgage	7,184,700

- 4.4 Of the other 7 million about another 3 million bought prior to the mid nineties and are near the end of their mortgage repayments: they will have seen a substantial rise in the value of their properties and although they will have worried about the loss of value following 2007 they will still have substantial gains since buying. It is those who bought at the peak of the market – with high interest, high deposit requirements and high prices - between 2000 and 2007 who will have suffered significant stress with millions in negative equity for the duration of the recession. Even so for most of the country the period of negative equity has past – though it is still significant in the Northern English Regions for those who bought in 2007.

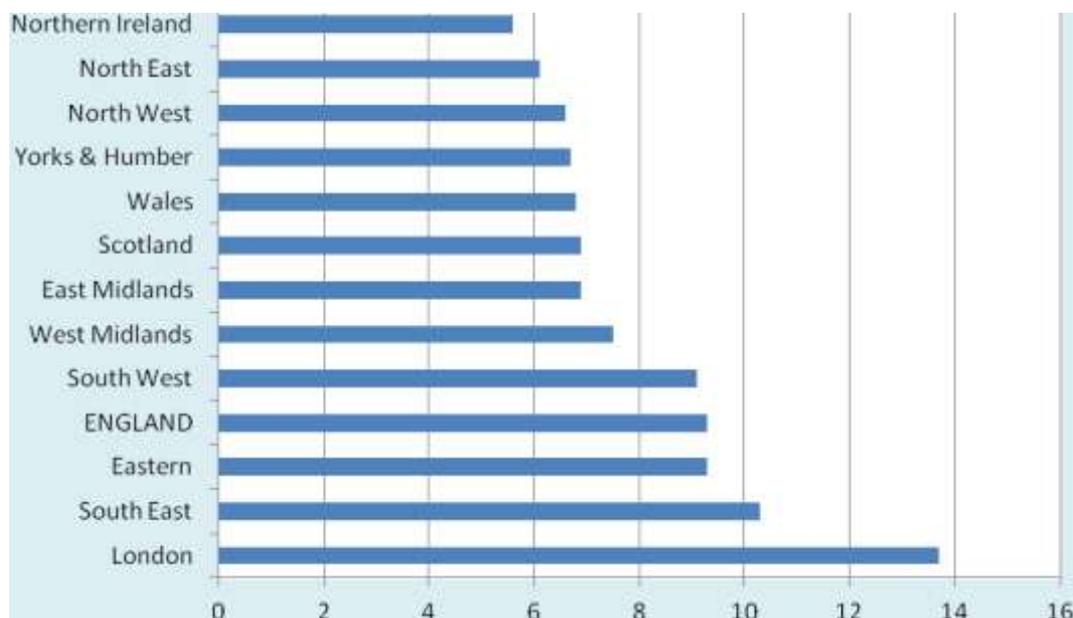
Chart E: Map on Negative Equity



- 4.5 Those who were able to buy during the six years of recession benefitted from both lower house prices (outside London) and low interest rates and are now benefitting from the recovery. At least half of those paying off mortgages therefore do not feel seriously affected by the housing crisis.
- 4.6 That does not mean that such fortunate owner occupiers are immune or unaware of the housing crisis. It is often their sons and daughters and grandchildren who are the would be First Time Buyers facing high prices, high repayments and high deposit demands who have the most acute difficulties in getting onto the housing ladder. For many the alternative is to stay in the parental home or join Generation Rent.
- 4.7 The private house market is a peculiar market relative to almost any other: It is over 90% a second hand market with the used price normally being higher than the new price; and it is almost the only market where consumer confidence and media assessment regard rising prices as positive. It is of course in housing terms an illusion that rising valuations of your home make you better off; if you wished to move in the same area there is no advantage. But house values in our society represent not simply a home but also social status, and are often a substitute or enhancement for a pension or savings, and also provide the prospect of an inheritance to the children. Hence a period of rising prices contributes significantly if irrationally to a 'feelgood factor' for those in houses whose values have markedly appreciated. That is why a house price bubble is no bad thing politically for governments in an election year....
- 4.8 The other three million or so mortgage payers are suffering – those who bought before the credit crunch in the years running up to 2007 and have at least 15 years to pay off. For them some things may indeed get worse - interest rates and hence repayments are bound to rise some time soon.

- 4.9 Difficulties are also faced of course by those who want to move to larger houses because of growing families or move to more housing stressed and more pricey areas for employment reasons.
- 4.10 Leaseholders too - who are classified as owner occupiers ie those usually in flats on a long lease to private freeholders (including many of those who bought under the Right to Buy and are leaseholders mainly of local authorities) may also be suffering because of increasing service charges and decreasing services.
- 4.11 However those most adversely affected by the dysfunction in the owner occupier sector of housing market remain those seeking to buy for the first time. The impact is different from Region to Region but the situation for those on median incomes and below is desperate in all regions. Whereas thirty years ago house prices were broadly three times annual wages or salaries they are now even in the least stressed Regions over six times average incomes. In low income Regions like the South West it is nine times. And in London at thirteen times it is literally impossible without savings or parental capital to raise the deposit, let alone repay the mortgage.

Chart F: House Prices to Median Incomes ratio by Region 2013

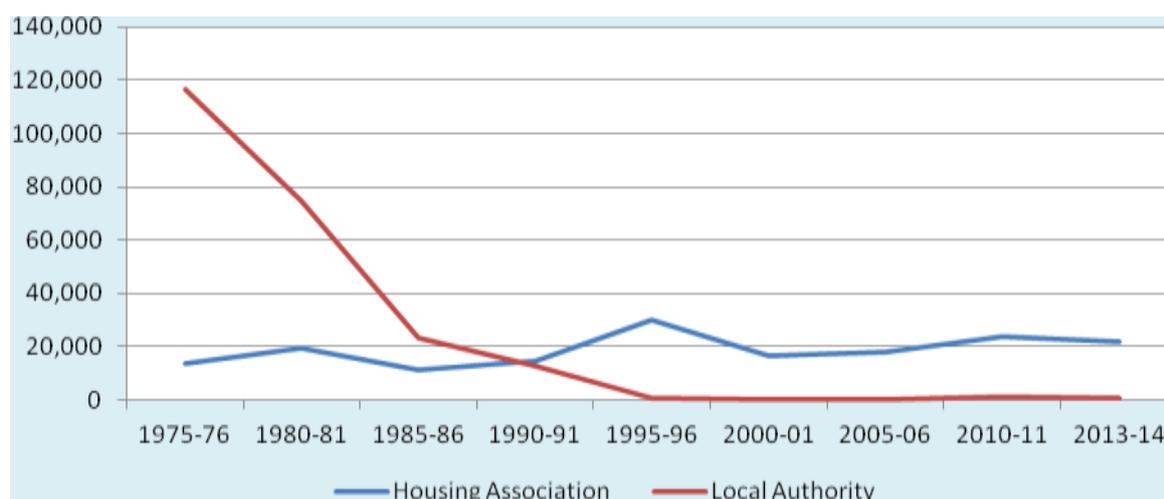


Just as in the affordable and social sectors the long term switch of Government support from house building support to housing benefit has stunted provision, so interventions like Right to Buy and its predecessors although they have helped families onto the housing ladder have led to inflated prices but not encouraged supply. In all Regions First Time buyers see average house prices well beyond their reach. It remains to be seen whether this increased availability of credit will develop into an unsustainable nationwide housing bubble – as it already appears to be London.

Social Housing: The end of Council Housing

- 4.12 Social Housing falls broadly into the Local Authority and Housing Association categories of provision, although there are also other charities and institutions on a small scale.
- Since the eighties there has been a drastic fall in new build by Local Authorities
 - The Housing Association sector increased in size and in new build in this same period

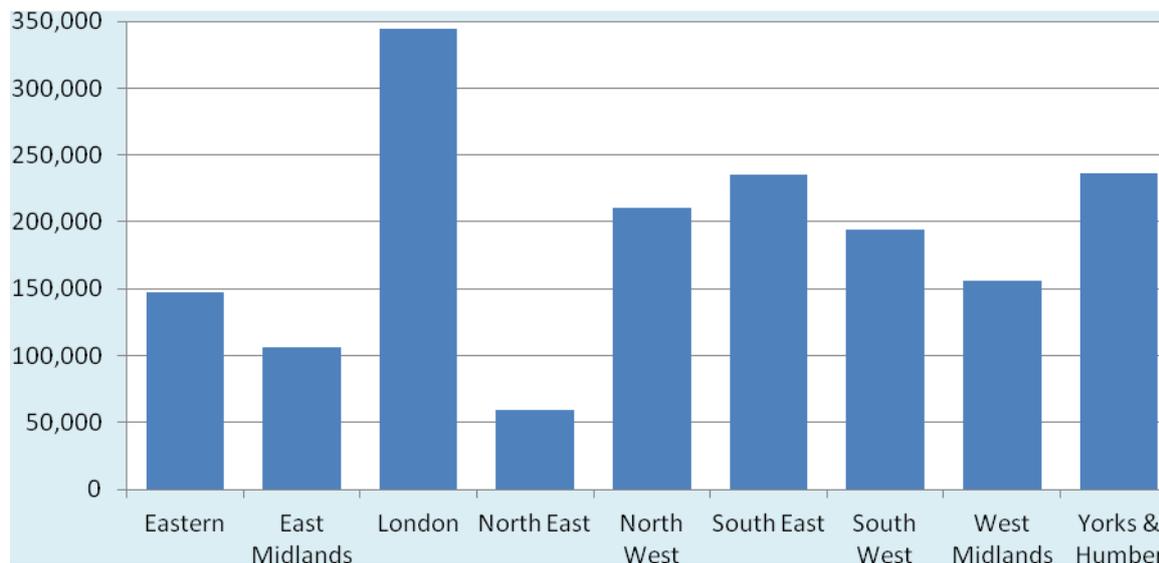
Chart G: Local Authority and Housing Association Dwellings Completed, England, 1975-2014



- 4.13 Combined with effects of the Right to Buy and in some areas programmes of demolition of some of the housing stock the total amount of Council Housing would in any case have seriously diminished. But from the Thatcher government and through the period of New Labour Government there was also substantial pressure on local authorities to transfer management and ownership of their stock to Housing Associations, charities and in some cases private companies. Many local authorities stopped holding any housing stock at all.
- 4.14 This growth of the Housing Association sector was mainly because of stock transfer but also because of a substantial increase in their own commitment to building new social housing. The last Labour Government's Policy was explicitly to rely almost exclusively on the Housing Association sector to build new social housing. This new build has included a significant and welcome amount of innovative housing – including relatively small provision of cooperative housing, housing for older persons and the disabled as well as traditional social housing provision for families and pensioners. And also some build of stock for 'rent to mortgage' transition.
- 4.15 The degree to which Housing Associations have been able to engage in new build has been impressive but has gone nowhere near making up what used to be carried out by local authorities. Capital available to Housing Associations has been restricted by the terms on which they can raise finance. Generally speaking it has been difficult for Housing Associations to raise money on the markets and – apart from help immediately on stock transfer only very limited help from Government. Housing Association collateral for raising loans is almost exclusively the value of existing assets plus estimation of future rental income. Uncertainty about both affects the ability to borrow. It has also meant that many Housing Associations have taken decisions to sell off some of their prime stock - initially to their own tenants but also on the open market; and in many new build there is a proportion sold for owner occupation or private rent – indeed that is often a requirement of the HCA ie the central government grant.
- 4.16 There have also been significant mergers within the Housing Association sector. This has helpfully improved professionalism but it has also tended to create larger less locally focussed organisations. This feeds a widespread impression that some of the larger Housing Associations are becoming less in line with their founding social objectives and acting more like purely commercial developers and landlords.

4.17 The decline of available social housing – most dramatically in the council housing sector – is emphatically not a reflection of a lack of need. The waiting lists of Councils up and down the land show there are huge numbers of families eligible for social housing who cannot get a flat or house in their area - or anywhere else. Many of these families have been on the waiting list for years. Total numbers have risen by two thirds since 1997.

Chart H: Waiting Lists for Social Housing by Region, 2013



Attempts by Councils to manage down the lists – by devices such as so called ‘choice based letting’ has in most cases tended to aggravate the situation.

4.18 This position is further complicated by the change in rules whereby the first responsibility of councils has been redefined to requiring priority to be given to house those most in need. This means homeless and destitute families and successful asylum seekers take priority for emergency housing. Although that housing is short term rather than permanent tenure – emergency provision is usually up to 18 months and usually in private rented accommodation including B&Bs – but there are also a significant number of cases where council and housing association property is used for such provision rather than to house permanently those who may have been on the waiting list some time or have a connection with the area and would otherwise be at the top of the list.

4.19 This can raise a wider issue of concern for social cohesion. It is not surprising that for those who have been on the waiting list for a number of years should feel they should have priority and that this can lead to anger, resentment, social tensions and in some instances racial tensions.

4.20 Whilst local councils retain the responsibility for identifying and responding to housing need they are decreasingly the providers of accommodation. Some councils in England and Scotland no longer have any housing stock of their own. Successive governments have deliberately encouraged councils to divest themselves of existing stock and have indirectly prevented them from replenishing their stock. Housing Associations – Registered Social Landlords or now Private Registered Providers - are therefore now the major providers of social housing in most of England.

4.21 Meanwhile successive Governments have moved to ensure that rents paid by those in social housing not only meet the costs of councils, Housing Associations and other providers of social housing but also get closer to the level of housing costs in the private sector.

4.22 This in part reflects the general portrayal of social housing as ‘**subsidised housing**’. In reality social housing is rarely ‘subsidised’ in the normal sense of the word ie that the state (or other consumers) make a contribution to reduce the price/rent for a particular group. In reality over the history of council housing – and Housing Association housing – whilst there has been an initial capital outlay by the provider and taxpayer, tenants pay rent over a period of years that – barring chronic uncollected arrears (which does happen) - both gives a return on that capital expenditure and covers the costs of maintenance and administration. Indeed the rules for the Housing Revenue Account require that council housing is in that sense self financing. That was to be sure not always the case – and some councils up to the seventies did set uneconomically low rents for council tenants but since the eighties that would not be allowable. Hence over time there is no long term cash transfer from the rest of the population to social tenants. Council rents and HA rents are of course considerably lower than in the private rented sector. Only in that sense is the concept of subsidy valid – that the Council or Registered Social Landlord could get a higher rent for equivalent property in the wider (private) rental market – but it is not a subsidy in the normal sense of the word. However there is of course a huge taxpayer subsidy to both private and social tenants through Housing Benefit.

4.23 Ostensibly because some councils were inadequately managing their properties and their Housing Revenue Account operations the Labour Government decided that Council Rents needed to be closer to market rent and other local economic measures. They introduced the **Rent Restructuring** strategy so that over time council rents and HA rents would reflect a formula based on a basket of local economic data – private rents, local wage rates and inflation – and over time move to a target rent at a higher level relative to market rents in their area. This Rent Restructuring has now been taken significantly further by the present Coalition Government’s Orwellian concept of ‘**Affordable Rent**’ with the target at 80% of private sector rents in the area and in the interim a three tier terminology for social rents – ‘social’, ‘affordable’ and ‘intermediate’ - the arithmetic division being overlapping and unclear in different statements and different local authorities..

The net result is that in the social housing sector there is chronic undersupply coupled with actual of imminent rent rises in a confusing set of rent readjusting regimes.

The Private Rented Sector: The New Landlords

4.24 The gradual revival of the private rented sector from the nineties was largely ignored by commentators until after the credit crunch when the sons and daughters of the middle classes began finding serious problem in getting onto the housing ladder in swathes of the country and the media invented the concept of ‘Generation Rent’. The nature of the availability of private rented accommodation and the terms and rent at which it is offered varies considerably even within individual cities. And the quality of accommodation is equally variable. In some towns there is a substantial area of student accommodation, often poor quality let on very short term leases or leased to the college authorities who then sublet. In another part of town there will be crowded multiple occupied dwelling with both single and family tenants on six months to three year leases – though sometimes longer. At the top end there maybe quite high quality long lease properties let to better off professionals and young families who until ten years ago would be onto their first mortgage. And at the bottom end we have instances of sheds, outhouses and garages being - mostly illegally - let out.

4.25 In almost all categories and all areas south of the Trent – rural as well as urban – there is a shortage of rental accommodation. Even for those seeking minimal accommodation Shelter found demand for single room accommodation in London had grown over five years by 20% but supply had grown only by 2%. Inevitably we therefore see rising private rents.

- 4.26 The most notable structural feature of this revival has been that most of it involves single-property landlords – some living in the property themselves some miles away or even abroad. Nearly four fifths of all private landlords (78%) rent out a single property – although obviously those properties may be let out in several flats. This **Buy to Let** growth reflects the understandable perception - with occupational pensions disappearing and the stock market unpredictable - that investment in property is the best and most reliable form of saving. It has also been encouraged by successive governments fiscal policy but particularly now by the Coalition's schemes for Buy to Let and Build to let.
- 4.27 The role of largescale property companies is significant but – unlike in those countries in northern Europe where there has historically been a much higher level of private renting and lower levels of home ownership – such companies do not dominate the market or set the prevailing contractual conditions. In parts of Europe and North America there is a much bigger presence in the housing market of property companies, insurance based corporations and indeed mutuals and cooperatives.

All of this private rented sector market is largely unregulated as regards level of rents and length of tenure. Some councils are in the process of introducing landlord registration. The Labour Party have indicated they favour some regulation of rent rises – but that has led to a negative reaction by landlords and in the media With economic revival and the threat of regulation it remains to be seen whether the rush to buy to let will subside but it shows no sign of doing so yet.

The Legacy of Right to Buy

- 4.28 The introduction of Right to Buy for Council tenants allowed thousands of families to get into home ownership who would never otherwise have been able to access a mortgage because their incomes were too low or they were too old. In that sense it has been a bit of a leveller and has certainly been and still is politically popular. It was not of course an abstract right; it has always been accompanied by very generous discounts on the value of the council property. After initial opposition the Labour Party supported it in principal although the level of discount was reduced in the early years of the New Labour Government.
- 4.29 The effect of Right to Buy on communities has varied. In sometimes places it has been beneficial. The absolute segregation of housing areas by tenure was never desirable. On some large estates or areas of what was concentrated 'mono- tenure' social housing, RTB led to the development of significant owner occupied tenure which has undoubtedly boosted the quality of life in some areas.
- 4.30 Unfortunately in others areas the delayed effect has been markedly less beneficial. As the original Right to Buy purchasers have died or sold and moved on, or their children have inherited, the onetime council properties have often been sublet by the new owners at substantially higher rents. And also often sublet privately and at higher rents with short leases – or often illegally with no lease - to those who previously would have been in social housing - or indeed rented back to Housing Associations or the Council who have to meet the higher rent and then let out the property to those on the housing list or in housing emergency. This can push the estates back towards ghettoisation having destroyed the original more stable community. And the process is a bizarrely expensive cost to the public finances – in terms of both Housing Revenue Account and Housing Benefit. What had been Council estates therefore suffer some of the downside of the bottom end of the private rented sector.
- 4.31 The Coalitions 'reinvigoration' of the Right to Buy in England has not led to a huge surge in applications – about 16,000 since the announcement. Meanwhile in Scotland, where the discounts and eligibility had already been curtailed it has been announced that RTB will end completely from 2017.

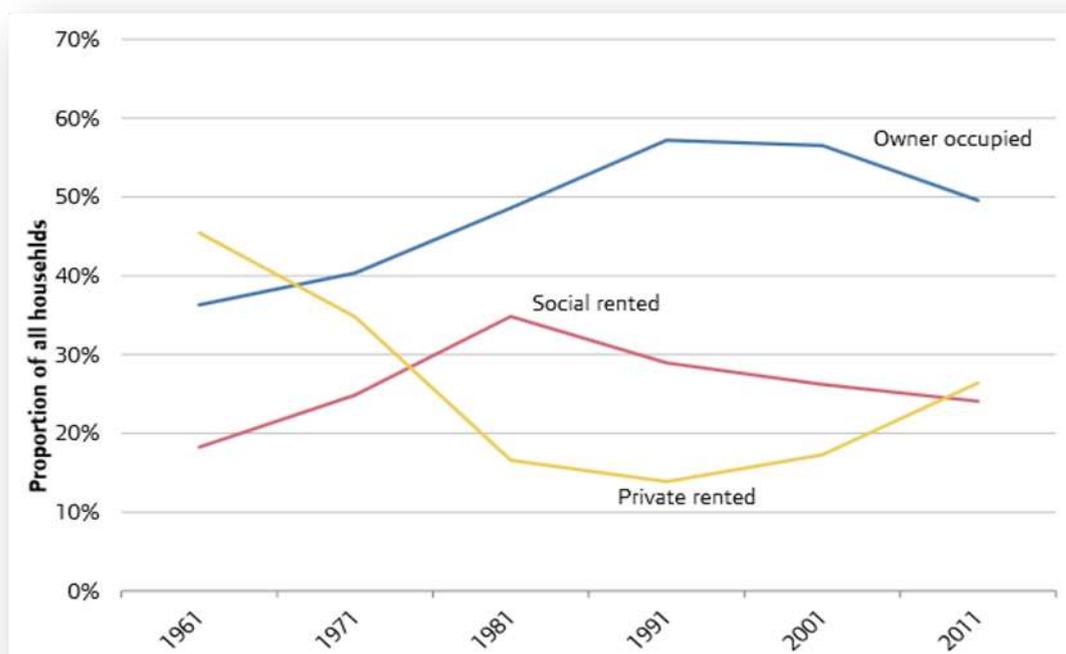
Reopening the basic argument on Right to Buy in England is probably counterproductive. But the terms on which it is offered need to be challenged.

It is the failure from the start to replace the social housing stock sold off under Right to Buy that is the key issue. Secure housing for low income households has been dramatically reduced at a time when societal inequality has increased. Any future Right to Buy policy has to be strictly balanced with new build equivalents.

The Particular Problem of London

- 4.32 The housing situation in London is the extreme example of the pressures on housing costs which is affecting the rest of the country and it is the London housing market is the driver of those pressures and costs causing a ripple effect on the rest of the south east and beyond . It does however also have its own characteristics. These include :
- a rapidly growing population;
 - a phenomenally high price on land including the many brownfield sites in London which should be available for housing;
 - the massive overseas investment from oligarchs, corporates and the world's rich into central London into property that is seen as safe and hugely profitable investment rather than for housing;
 - relatively high levels of private rented sector with escalating rental pressures;
 - the inheritance of historically high levels of social housing in areas of high property prices;
 - the two tier level of political and planning responsibility for housing in Greater London with both the boroughs and the Mayor.
- 4.33 In the last year house prices in London have risen 17% whereas the rise has been 5% on average in the rest of the country; London house prices now exceed the pre-crisis level by 25% but in all of the other Regions of England (except the South East) and in Scotland, Wales and Northern Ireland prices have not regained pre crisis level or have only just about done so. Just recently both the Governor of the Bank of England and the country's largest mortgage giver have sounded alarm bells about a London house price bubble; Lloyds have now restricted London mortgage advances to four times salary – but of course that hardly touches the top end of the market which is skewed by those who have no need of mortgages but still drags the rest of the market with it.
- 4.34 London private rents are also rising rapidly in recent years. The supply of social housing has been hit by sell offs and demolition with until recently almost nil replacement by London Boroughs of their stocks and some of the Housing Association new build replacement being at market or near market rents rather than social rents. Several London Borough now intend to engage in new build but are constrained both by borrowing limits and by lack of available (or more accurately affordable) land.

Chart I: London's Changing Tenure, 1961-2011



- 4.35 When established the Mayor and the GLA had no responsibility for housing except very high developments; since 2008 the Mayor has had some strategic responsibilities and is drawing up a London Housing Strategy (latest version 'Homes for London : the London Housing strategy Draft for the London Assembly April 2014). That Strategy has the 'long term aim' of producing 420,000 new homes in London over the next ten years: of which 17,000 pa would be 'affordable' in various tenures and 5,000 for market rent. This is higher than any level achieved in London since the war. The draft strategy has ambitious and controversial proposals for new financial settlement for London Boroughs, land release, flexible tenancies and means testing of rents in the social housing sector, quality standards for private rental and proposals for London Housing Bank, Housing Zones and Garden suburbs outside the GLA area.
- 4.36 Irrespective of the merits of individual proposals the Mayor's Strategy does begin to show what an effective strategic approach could bring. Unfortunately the new build figure of 42,000 per year it is also twice rate of the last ten years and twice the rate of developments currently in the pipeline. It is not yet clear how that will be resourced in terms of finance or land. But at least it is a strategy.
- 4.37 Meanwhile in Central London the historic coexistence between high value owner occupied property and substantial social housing is under pressure. The combination of the legacy of RTB, welfare reform caps and the high level of private rented accommodation is pushing low and medium income families out of central London and the more affluent suburbs.

In the short term the key issue will be whether another London house bubble will emerge. That is partly a question for the Bank of England and the individual mortgage providers but whether they succeed will have direct effects on the ability of the strategy to be delivered. London specific regulatory powers intervention on limits, interest rates and availability of finance for London will need to be available – otherwise there is no chance of achieving the targets in the strategy.

In the longer term the unique GLA structure could provide for a much more interventionist approach by the Mayor and London Boroughs than the present strategy implies. London has a huge housing problem and its effects are felt throughout the economy. It needs a radical new approach that goes beyond what the Mayor is so far providing.

Rural Housing

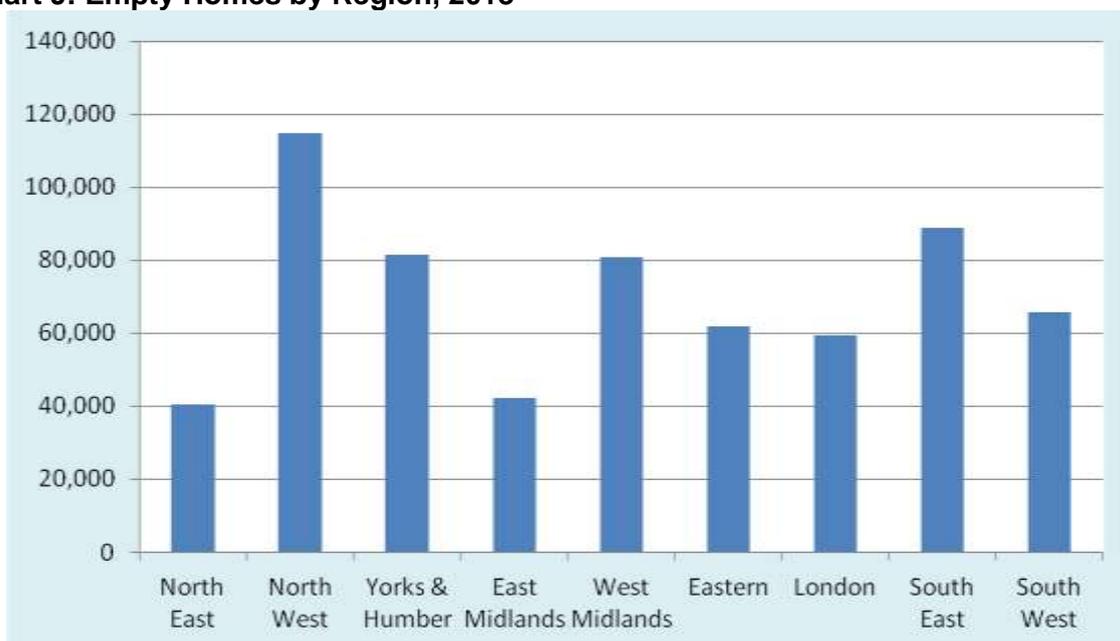
- 4.38 Much of the discussion of house prices and of lack of social housing is in terms of conurbations and urban areas. Yet some of the worst incidents of shortages and unaffordability face rural communities. This is no longer only a problem in the commuter villages around London and Birmingham. Market towns and villages throughout Great Britain face acute shortage of housing – particularly for the younger generation. This reflects a combination of planning restrictions and nimbyism, plus the influx of retirees and second homes, escalating house prices as well as the basic lack of social housing - with the previous (often very attractive) rural social housing having been almost entirely sold off . In many rural areas the ratio of house prices to average income is of the same order as central London. And almost any application for new build of anything approaching affordable housing is inundated with objections.
- 4.39 As a result there is often no chance of a young family being able to obtain or afford a house in the village or small town where they were brought up; if they work there they have to travel in from the nearest larger town. Villages and small towns become the preserve of the old and of weekenders.

The Labour Government commissioned a major study of rural housing but its conclusions were never acted on. Any comprehensive housing strategy has to have a rural dimension and solutions will often be different from those in urban areas.

Empty Homes, Second Homes and Holiday Cottages and conversions

- 4.40 Some contend that massive new build programmes are unnecessary to solve the housing crisis because there are so many empty homes. It is true that there are over 660,000 empty homes in England and Wales alone.

Chart J: Empty Homes by Region, 2013



- 4.41 However only 270,000 of these empty homes have been empty for more than six months. And the majority of those empty homes are not in the areas of greatest housing stress. Some of them regrettably - mainly in northern cities - are homes left void for housing schemes that never materialised and are intended to be demolished. There is also the opposite phenomenon of high end properties mainly in central London bought largely by overseas buyers and speculators for investment and often kept empty for long periods.
- 4.42 It is important those empty homes that have been left that way for more than six months are considered for bringing back into occupation. The Coalition have allocated £160m to do just that – although that will only re-mobilise about 11,000 homes. With more resources much more could be done. One way of raising money for that would be to penalise owners of empty homes. Ludicrously until recently local authorities levied only half rate of Council Tax on such homes – and also on some second homes – on the grounds that the owners were not using local facilities. It would be more appropriate that the owners of homes left empty for more than six months continuous should pay a penal rate of at least double the appropriate Council Tax.
- 4.43 The total number of second homes is difficult to ascertain and there is a problem of definition but the official estimate is 1.2m in England and Wales. If they are left permanently unused for six months then they should also be treated like empty homes and charged double Council Tax. The majority of second homes however are used intermittently and are not easily made available for permanent housing.
- 4.44 There are parts of the country – Cornwall being the most extreme example – where second homes that are used rarely and holiday cottages that are let out only in the summer holiday exceed the very substantial housing waiting lists. Statistically, housing problems in Cornwall – one of our poorest counties – would be resolved if Councils and social landlords could use these houses for affordable social housing. But of course that would require confiscatory powers and could only be justified for those properties that are left empty for a full year – in which case they count as empty and would be subject to the same confiscatory powers.
- 4.45 Another possible source of new housing which is not really new build is the **conversion of office blocks** and other commercial premises where the company and the employment have disappeared. This is done to a limited extent and empty offices have been turned into commercial lets or leasehold property but the numbers are small. Again where a housing need is identified local councils could have confiscatory powers to take over empty premises and convert them for affordable housing. However confiscation is always fraught and subject to legal challenge and therefore to cost and delay.

Taking empty homes in its widest sense together with conversions and using much stronger confiscatory or compulsory purchase powers in areas of severe housing need could mobilise a few tens of thousands of homes; but refurbishment would be expensive and not enough to make a transforming impression on the total numbers needed. Nevertheless perhaps 30,000 – 50,000 in the early years would significantly reduce the numbers of new builds needed - but not dramatically change the big picture.

Housing Benefit – whose benefit?

- 4.46 With the cost of all forms of housing escalating way beyond any increase in incomes even before the 2007 economic crisis the welfare system has frequently taken the strain. Housing costs are taken into account in most means tested benefits and Housing Benefit is paid now to the majority of households in social and nearly half of households in private rented accommodation. The total cost of Housing Benefit is now **£24bn per year**. At this level housing benefit understandably is very much in the sights of a cost cutting Treasury. It is

also a favourite source of stories for the right wing media to ridicule and undermine the whole form of the Welfare State.

- 4.47 Of course Housing Benefit was not a feature of the original Beveridge concept of the Welfare State; it was assumed that housing needs would be met by social housing. Housing Grants from both local authorities and social security developed at a fairly low level from the fifties and were replaced by Housing Benefits from the early seventies. It is the only part of the social security system that depends on the housing market in the area you live rather than primarily on personal or household income and circumstances.
- 4.48 Since the seventies payment of Housing Benefit has increased tenfold in real terms. However the numbers on housing benefit have not grown so dramatically : in other words it is the cost per recipient in both social and private rented accommodation that have risen so dramatically – not the number on benefit. And that reflects rising housing costs generally.

Table 12: Change in numbers on Housing Benefit and Total Costs 2002-2013

Housing Benefit Caseload	+17%
Housing Benefit Total Costs	+71%

- 4.49 This escalation of expenditure creates serious strains on the overall Welfare Budget in a period of constraints on public finances. In a fraught area of political and media debate Housing Benefit is also the most vulnerable of all welfare payments to attack and ridicule I because payments reflect both the expensiveness of the property in which they are housed it is easy to find stories that can be represented as family fecklessness and/or local authority extravagance thus adding to public hostility to those on benefit. However it is instructive to see who are the recipients of Housing Benefit. Whilst the majority are in social housing an increasing proportion are now in private rented accommodation with higher rents and therefore higher benefit payments – an average of £107pw in private rented property compared to £77pw in the social sector.
- 4.50 More dramatically – and completely contrary to media myths – whereas in earlier decades the majority of HB recipients were pensioners or unemployed, more recently the biggest increase in receipt of housing benefit have been amongst those households in work which has more than doubled in the last ten years.
- 4.51 The Coalition have made incorporation of Housing Benefit into the proposed ‘simplification’ of the social security system into the Universal Credit payment – with plans to start from 2016. Integration of Housing Benefit – to be the Housing Element of Universal Credit in a wholly different system of income support is reportedly proving difficult within DWP – along with other elements of computerising the new Universal Credit system.
- 4.52 Meanwhile, the Coalition have made major attempts to cut the cost of Housing Benefit. Firstly they have put a cap on total benefit levels per household at £ 500 per week .or about £26,000 pa. This limit may sound extremely reasonable but the main impact of this will be on payment of Housing Benefit to families put into private rented flats and houses in areas of high housing stress and high housing costs – particularly and mainly in London. This cap is already leading to private landlords refusing to take benefit dependent potential tenants and is driving families outside of London. And as already referred to above the Coalition have imposed the ‘Bedroom Tax’ to limit the payment of benefit to those deemed to be ‘under-occupying’ social housing.
- 4.53 But the ultimate beneficiaries of the escalation of housing benefit payments are not the claimants who are castigated in the right wing media – but the ultimate recipients of the money. It would be wrong to deny that there are instances of scams and fraud but the real scandal of Housing Benefit is not the amount paid to families housed in expensive central London accommodation but the amount of this benefit money that ends up going to private landlords in all parts of the country– many of them multiple landlords; many providing less

than satisfactory property for families to rent. Taxpayers money pays the rent to private landlords of 1.65m tenants in the private rented sector – 40% of all private tenants and higher proportions in the Northern English Regions and Wales. Some of these properties were originally Right to Buy. And of course a large proportion of social housing families are tenants of private Trusts constituted as Registered Social Landlord – or Private Registered Providers as is now the favoured term.

- 4.54 A few months ago the GMB carried out a wide survey of the amount of housing benefit money that goes to private landlords and Private Registered Providers. That survey – based mainly on information from local authorities – showed how both small and large private landlords hugely benefit from this escalating cost but rarely are blamed for it by politicians or media.
- 4.55 The GMB research¹ found that it is very difficult to obtain full information on who specifically ultimately gets the money. Housing benefit is paid to landlords in two different ways – either – in the majority of cases - by the benefit cheques going to the tenant and the tenant then paying the landlord, or by direct payment of the benefit to the landlord: it is only the money that goes direct to the landlord that can be clearly identified in terms of the final recipient.
- 4.56 The survey was addressed to all housing authorities in England, Scotland and Wales who were asked to identify in each case the top twenty recipients of direct Housing Benefit payments in their areas. Even then details on the majority of private landlords are usually deemed not disclosable under Freedom of Information because they are single property businesses and receipts of public money are regarded as subject to privacy under Data Protection. That is being challenged with the Information Commissioner but for the moment is the stance taken by most councils and the names of those sole traders who appeared in the top twenty recipients were redacted; total redacted information ie where we have no idea how who is receiving it amounted to £138m pa.
- 4.57 What is disclosable however is payment direct to landlords with multiple properties. The GMB research set out a list of private individuals, companies and trusts which could be identified and featured in those returns. Several are registered offshore companies. Many are substantial titled landed families. Many are extremely wealthy individuals. This is not the kind of list which most politicians and media convey when they talk about housing benefit as part of a dependency culture.

This is a scandal - but the key strategic point here is that if only part of the money paid out by the state in housing benefit - a large proportion of which ends up in the accounts of private landlords and private trusts rather than the pockets of the poor – were devoted instead to building and improving affordable housing we would not have a housing crisis at all.....

The key fact in terms of government intervention in housing over the past half century has been that Government support up until the seventies had predominantly support to the **Supply Side** – via subsidies for building social housing – mainly council housing – has switched dramatically to support on the **Demand Side** ie mainly via Housing Benefit. A recent IPPR Report (*Together at Home 2012*) calculated that that the public expenditure balance had completely reversed – from being 85% on the supply side to the current position where it is over 90% on the demand side ie Housing Benefit.

¹ www.gmb.org.uk/newsroom/landlords-hit-housing-benefit-jackpot

5 Key Factors for Change

This section itemises many of the areas of policy and provision which affect the ability of future governments to help deliver to meet current and future housing need; and draws conclusions for action.

The Mortgage Market

- 5.1 The wide swings in the levels of mortgage advances over the past decade and the terms on which mortgages are awarded creates an instability in the owner occupied market, particularly for first time buyers, which has knock on effects on the rest of housing provision. The pre 2007 credit boom with loans at above 100% of house value pushed prices up unsustainably; the credit crunch then saw severe cut backs in advances and unaffordable deposit requirements and some negative equity. Prices have now partly 'recovered' in most of the South of England, though not elsewhere and the numbers of mortgage advances are at a relatively low level and banks are likely to continue to be more cautious. The Help to Buy scheme whilst helping some buyers now threatens a housing bubble. What is needed is a more stable long term market.

The Financial Conduct Authority needs to carry out an urgent assessment of the mortgage market including Buy to Let with a view to developing a regulatory framework which provides a long term stable regime rather than boom and bust.

Public Finances

- 5.2 The Coalition Government is planning further and deeper cuts in public expenditure beyond 2014/15 and the Labour Opposition has indicated that it too would have to cut public expenditure. But resolution of the long term housing crisis is not possible without some significant public investment in housing of all kinds. A partial contribution would be to lift the historic debt burden on Councils, and allow the issue of Local Authority Housing Bonds.

An incoming Government's Comprehensive Spending Review must find immediate additional capital resources to deploy on housing. This will require some central government spending but also scrapping unnecessary limits on the ability of local authorities to borrow for housing investment.

New Sources of Finance

- 5.3 Given that it is clear that there will continue to be constraints on public funding for housing investment it is important that private sources of funding come forward for developments in all forms of housing. At present the capital markets and the financial institutions are not keen to invest in housing property and construction developers claim they therefore need at least a 7% return per year to finance their capital borrowings. That of itself means priority is being given to developments at the 'high end' of the market. This reflects an irrational attitude in City and financial circles since housing property is safe and steady and long term and should therefore attract many investors. Even in the world of pension funds – who by definition should be steady long term investors -there is little appetite for housing investment amongst either Trustees – some of whom may be GMB nominees or advisers to funds. Amongst Local Authority Pension Funds the Greater Manchester Funds have taken some initiatives to provide for affordable housing but the initiative has not been so far followed elsewhere. The current Chancellor himself has tried to corale and cajole large private pension funds into investing in infrastructure including large scale housing but little has so far come of that.

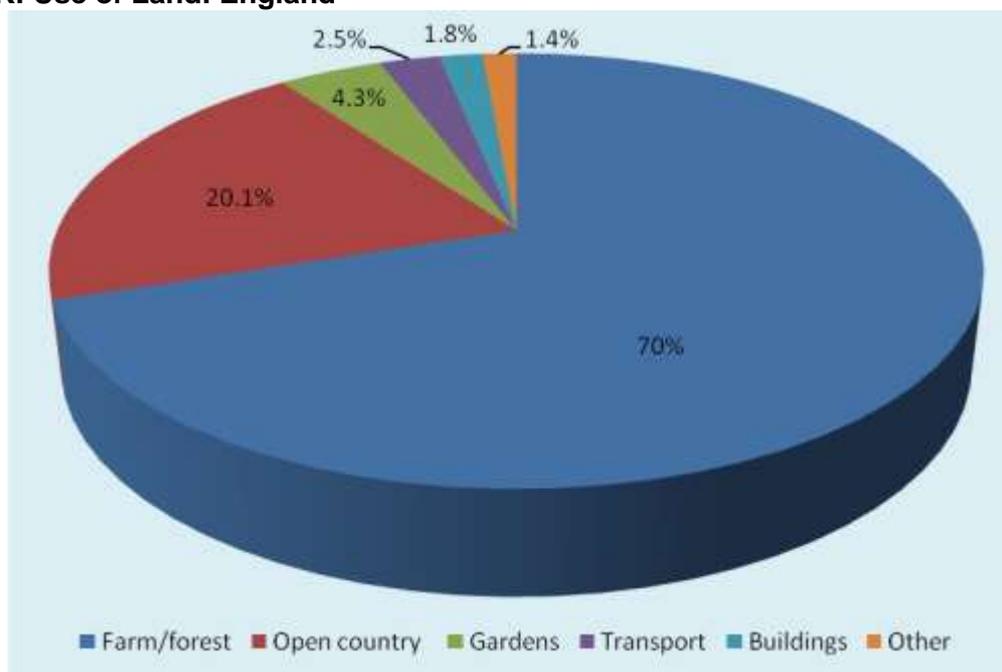
New financial instruments are needed and require Government initiatives and some government carrots and sticks. We should at least pursue : steps to incentivise public

sector pension funds to invest a minimum proportion of their funds in affordable housing; earmarking an element of any future Quantitative Easing to be for banks to buy Housing Bonds issued by local government, housing associations and private developers to invest in major new housing projects; and switching some of the government guarantee under Help to Buy to underwrite housing development.

Planning and Land

- 5.4 From the developers and construction industry as well as from elements in government the main excuses for not building more houses are usually concerned with the cost and availability of land and the alleged rigidity of the planning process. At one level there should be no problem about availability of land. Despite fears of an overcrowded country in England less than 2% of land is covered by buildings and about 11% could be termed 'developed' – less in Scotland, Wales and Northern Ireland.

Chart K: Use of Land: England



- 5.5 There are plenty of brownfield sites and plenty of low grade agricultural land without environmental restrictions that could be used without concreting over the countryside. But of course the cost of land is different. The premium on land with planning permission and agricultural rated land is huge. That is why despite there being adequate land available developers are putting on pressures to build on the – hitherto much cheaper – rural land and pressure to lift restriction on building on the Green Belt land. That pressure should be resisted but the presumption for sustainable development should be maintained as far as housing is concerned. And the Labour Government's requirement to give priority to brownfield sites should be unequivocally reinstated
- 5.6 Availability of land is vital. However we also have to remember that all large and medium housebuilders hold substantial landbanks and that there are also significant numbers of stalled housing schemes – for up to 400,000 houses on one estimate – that are in the pipeline and already have planning permission but have stalled and should be accelerated. The Labour Party has already committed to sanctions to bring forward those schemes.
- 5.7 There should also be strong resistance to the pressure to water down existing commitment or abandon the use of **Section 106** deals to require with planning permission a minimum proportion of social housing or affordable housing. Flexible approaches and partnerships – including more directional use of the Community Infrastructure Levy - can be worked out but

the objective of delivering more social and affordable housing from every significant housing planning permission must be maintained.

- 5.8 There is also much pressure in development industry circles about release of **public land** – particularly local authority land. Unused or underused public land should indeed be considered for release by local and central government for housing purposes and its release speeded up - but it should not be ‘given away’ as a bribe to developers. Release of public land should normally either be subject to reversion after say 25 years or else should be the local authority’s contribution towards partnership schemes with developers or Housing Associations against which the local authority gets a long term return from future revenue flows and enhancement of value.

The presumption for sustainable development for housing should be maintained but planning priority for new schemes should be on brownfield sites and marginal agricultural land. Release of Public Land can play a part but should not be given away. Green Belt land should only be used for building if it is replaced by an equivalent increase in Green Belt land elsewhere

Stalled schemes should be started or sanctioned. Section 106 arrangements should not be watered down and indeed should be used more aggressively.

There should be a national (English) figure for the normal minimum proportion of social housing and affordable housing in all significant housing schemes.

- 5.9 Commitment to building whole **New Towns** also may need to feature but given the planning complexity and the infrastructure costs they are probably for a second phase of an overall Housing Strategy.

The Role of Local Authorities

- 5.10 Despite political parties professing belief in localism, Local Authorities ought to be in prime position to assess housing needs in their area and take steps via direct intervention and the planning process to ensure those needs are met. In practice Councils have very few clear powers, responsibilities or resources to act strategically. This is even more important now the regional tiers and regional targets have been abolished.

It is important that local authorities in England are given explicit power and responsibility for assessing housing needs and ensuring they are met.

- 5.11 On local authority finances Housing Revenue Account reform was started by Labour and continued by the Coalition to give local government more self sufficiency in housing finance. But centrally determined targets on rent levels and draconian limits on borrowing in practice restrict what they can do. The UK is alone amongst EU countries and the IMF and OECD in including local authority and public corporation investment in housing and infrastructure against public sector net debt. This means there is a limit on Council borrowing for housing investment. It is true the Coalition recently increased that limit but only marginally.

The Treasury need to move to the internationally accepted definition of public sector net debt and consequently remove the cap on local authority borrowing as far as housing is concerned.

- 5.12 The additional capital resource could be spent in different ways – on councils own stock or in partnership with the private sector and housing associations in creating mixed tenure developments. However there is a problem: most local authorities no longer have the capacity and expertise they once had in their Housing Departments, Architects Departments and Direct Labour Organisations to plan, build and manage significant new housing. A recent Smith Institute report (*Does Council Housing have a future? Nov 2013*) consulted those English local authorities who still hold and manage direct housing stock of their own.

Councillors in these authorities mostly expressed a keenness to engage in building of council homes but their ambitions were constrained by capacity and finance –on average they were thinking of 1,000 new properties over 10 years - far below what would be required to meet a challenge of 80,000 new social dwellings per year. Moreover it is also the case that local authority areas are often too small and planning for housing needs and delivering those developments needs to be on a wider cross boundary basis. The ‘duty to cooperate’ in the recent Localism Bill is too weak to facilitate this.

A very substantial strategy for council house building needs to be put in place urgently. However there are problems of capacity in local authorities as well as issues of land and finance availability. The next government will need to establish broader based delivery bodies for strategic housing – probably on a City Region basis.

Regulation of Private Landlords

- 5.13 The rapid expansion of the private rented sector reflects the inadequate supply of social housing and affordable owner occupied property. But there is also a significant role for the sector. The sector has always been dominated by small landlords but recent tax advantages and schemes to encourage ‘Buy to Let’ projects have fuelled an influx of new smallscale landlords. These so called ‘amateur’ landlords have variable experience and their properties are of variable quality. Many are reasonable landlords but too many have little regard for the rights or quality of life of their tenants. There are issues of length of tenure – six months is very common, and issues of exorbitant rents, arbitrary evictions and rent rises, and unreasonable retention of deposits. There are also instances of inadequate, poor quality property, unsafe, unhygienic, damp, draughty and energy inefficient premises being let to vulnerable and desperate tenants. At the extreme end there are cases of letting out garden sheds and outhouses. There are also issues of exorbitant charges by **letting agencies** on both landlord and tenant. And there are serious issues regarding safety – particularly of electric and gas appliances and provision of alarms. Yet this is an almost entirely unregulated sector. Local Authorities have a discretionary power to require registration of private landlords but only a few do so. There is a lack of intelligent debate about the sector: landlord organisations reject almost all calls for regulation and Labour Opposition calls for limited forms of rent regulation -protection against arbitrary rent rises - have been denounced by government Ministers as ‘Venezuelan (or alternatively Vietnamese) socialism’.

Local Authorities need to be required to set up systems of regulation of private landlords and as a condition of registration require minimum standards for length of tenure, terms of contract, safety, condition and energy efficiency of rented accommodation. Probably to include at least reserve powers to intervene to impose fair rent levels.

The Future of Social Housing

- 5.14 Much of government policy - under both parties – and of media comment has been to aim to phase out key aspects of social housing provision. There has been a clear move away from direct Council provision and reliance mainly on the RSL sector. There have also been moves to marketise rent to private sector levels, to end security of tenure bringing in short lease periods instead; and moves to end security of tenure and to means test incomes for rent fixing purpose. It is important to reassert that councils as well as Housing Associations will have a key role in increasing and improving social housing; that councils and registered social landlords should set rents according to local circumstances not according to private sector levels of Whitehall imposed formulae; and that although there may be some flexibility on tenure and on rent levels for future tenants that again would be a matter for each local authority or Housing Association.

In setting a target for overall new build Government should also set a proportion for social housing to come from both local authorities and Housing Associations. The aim should not be the creation of segregated housing or mono tenure estates but as a part of planned mixed tenure communities.

The Right to Buy in the future

- 5.15 As noted, Right to Buy has had both positive and negative effects: it has provided opportunities for individual households but overall it has diminished affordable housing provision for the community. The Right to Buy is being phased out in Scotland but the reality is that both politically and legally it is difficult to abolish Right to Buy - at least for existing tenants. But every RTB sale should be replaced and the terms on which it is offered and the degree and pace of any new RTB sales ought to be decided in the light of local needs and at local level.

Any house of flat sold under RTB in the future should be replaced one for one and like for like. The qualifying time for a tenant to be eligible should normally be no less than ten years. The level of discount offered on future sales should be determined at local level and should take account of the level of housing need in the area. Where the property is a flat the local authority freeholder should have discretion to determine that the flat not be sublet but rather should be sold on or revert to the freeholder.

The Future of Housing Benefit

- 5.16 As pointed out above, Government intervention in the housing market over the last few decades has switched from support for supply ie building and improvement to support for demand – mainly housing benefit. That has left us with the worst of both worlds - no resources for new build and a politically vulnerable escalating bill on benefits. The current trend in the level of Housing Benefit is politically and financially unsustainable yet millions of households rely on it for their housing costs. The incorporation of Housing Benefit into Universal Credit is not going to resolve the problem. The computerisation of HB to become the 'Housing Element' of the new Universal Credit is reportedly not going well. The wise move would be to consider Housing Benefit as part of Housing Policy – not as part of the Benefits system. Machinery of Government in Whitehall, the Devolved Administrations and London need to reflect that change and all housing budgets brought under one statgic direction at those levels.
- 5.17 Obviously families in need would need protection through the process and change would have to be gradual.

An absolutely key part of a national Long Term Affordable Housing Strategy would be rebalancing expenditure towards supply and improvement and away from benefits with changes in machinery of government at all levels to reflect that. This would need to be a twenty year strategy but an incoming government would need to start work immediately.

Quality of Housing

- 5.18 Most of the above discussion has been about the quantity of housing needed. But it is also important to emphasise the need for new build to reach meet high quality standards. Existing British housing stock is one of the oldest in the world with 20% being built pre 1919 and 49% before 1945 - which accounts for some of the poor standards; but even some relatively recent property in all tenures falls below standards in other European countries. For instance we have the lowest space/person ratio in Western Europe and we have one of the worst levels of energy efficiency in Northern Europe (whose climate is roughly the same as ours) which adds escalating energy costs to high costs of housing.

For new build high minimum standards need to be specified in relation to space, insulation, heating systems and safety. For both social and private rented accommodation there needs to be an obligation to retro fit as far as possible to meet current Decent Homes standards, and effective inspection to ensure those standards are maintained.

The Capacity of the Construction Sector

- 5.19 There is widespread doubt about whether the sector is capable of rising to the challenge of a serious housebuilding programme of the order of 250,000 new dwellings. The construction industry – and housebuilding within that – had been one of the worst hit parts of the economy during the recession with substantial redundancies and spare capacity. With the beginnings of recovery there are now signs of strain with problems of access to finance, capacity problems in the building materials side and skill shortages – particularly those most relevant to housebuilding like bricklayers – are beginning to appear.
- 5.20 Previous periods of rapid expansion of housebuilding in the fifties and sixties was largely carried through by thousands of small local building firms. The current sector is dominated by five large housebuilders – Barratt, Persimmon, Taylor Wimpey plus Berkeley Group and Bellway, each of whom have their relationships with the mortgage sector - and 60% of all housebuilding is done by only 25 companies. Not all of the big companies have been helpful in their treatment of workers and relations with trade unions. Nevertheless to meet the ambitious target, deals will have to be done with each of the big six as well as mobilising more, smaller builders to expand or to enter the market.

The incoming government will have to be prepared to negotiate with the large housebuilders on issues covering house building targets, employment and skill levels and a stable supply chain. Priority in advances of bank loans to smaller building contractors needs to be signalled from the Bank of England. And the industry and government need to upgrade construction industry training throughput.

The Institutions

- 5.21 In addition to setting new targets, allocating budgets and mobilising new sources of funds for affordable housing there needs to be a rethink about the institutions that impact on housing supply and demand and the innovations that are needed. This probably is second legislative session business.
- 5.22 This includes considering the future role of the **Housing and Communities Agency** which at present has an uncomfortable dual role as a Regulator of the Social Landlord sector and the channel of funding to social housing.
- 5.23 Also to be considered whether we need in addition to corralling all housing responsibilities into one Department we need standing **Commission on Affordable Housing** at arms length from Government but looking at the long term provision in all forms of tenure at costs that are affordable.
- 5.24 More radically it also includes looking at the possibility of establishing a **Housing Investment Bank** – perhaps with a wider infrastructure remit as a **National Investment Bank**. The example of KfW in Germany and BNG in the Netherlands are often cited and both institutions have amongst other things provided substantial finance for the housing sector.

A new Housing Strategy will need new and changed institutions. Inevitably these take time to put in place and the initial stages of any new strategy will have to be delivered via existing institutions. An early start needs to be made, however, on the legislative base for new institutions.

6 The Wider Issues

This Section considers the position of housing in wider policy areas and how interventions from government on housing can help or hinder wider objectives.

Quality, Community and Environment

- 6.1 Much of the above discussion has been about numbers of individual homes that are needed. That is important but it is equally important that the crude numbers are delivered as high quality housing – and architecturally part of an aesthetically high quality built environment. And also even more importantly as part of a functioning multi faceted mixed tenure community. There are too many historic examples here and round the world of rapid development leaving architecturally diminished townscapes, socially polarised communities and dysfunctional local economies. A step change in the level of new build has to be holistically planned and delivered to avoid the disasters of the past.
- 6.2 The building of these homes needs to be done in a resource efficient and energy efficient way so that the construction as well as future use of the homes is as close to carbon neutral as is possible.

Housing and the Economy

- 6.3 It is also important that the economic and political case for a massive increase in house building is made on the widest basis. Investment in housing has a multiplier effect on the economy in terms of jobs and the revival of manufacturing. One pound spent on housing construction has about a £3 multiplier effect on the economy.
- 6.4 The over concentration of domestic savings and investment in the high priced housing market deprives the rest of the economy of investment into industry and infrastructure and helps create serious economic imbalances.
- 6.5 The ability to re-house thousands of people currently facing overcrowding, cramped and unhygienic conditions and homelessness will save significant money over time in improved physical and mental health and less pressure on the NHS and social services.

Housing and Welfare Reform

- 6.6 Reliance on soaring levels of housing benefit has distorted out whole social security system and made it a target for those forces who do not believe in social support and redistribution via the state. If we can reduce the long term affordability crisis in housing over time we will not only divert expenditure on housing benefit into constructive investment but also reduce welfare bills more widely and restore public confidence in our social security system.

7 A Programme for an Incoming Government

The incoming government from 2015 will need to make affordable housing a central part of its economic and social strategy. Some of the strategic institutional and legislative changes will take time to put into effect but the intention needs to be clear from the start with some legislative commitments and an immediate emergency programme.

The Target

- 7.1 In order to meet the backlog and provide for future levels of household formation this Affordable Housing Strategy will need to set a target for new dwellings to be made available every year for the next 20 years will need to be around 300,000 pa.
- 7.2 Of those 30,000 per year – possibly higher in the early years – could be met by a rigorous pursuit of refurbishment of empty property and other conversions. There is also some scope for reallocation of social housing lettings to reflect more appropriate space needs but this should be done in a planned way with consent – rather than by the ‘bedroom tax’ approach.

The remainder will need to be achieved through a massive increase in housing new build with a target of at least 250,000pa. Of this total a minimum of 80,000pa should be for social housing

Strategic Delivery Solutions

- 7.3 To start with, tackling the dysfunctions in each of the housing sectors will have to be done via existing institutions - with a broad central role for local authorities – and within existing legislation and tight expenditure constraints. But delivery of this level of new housing provision will only be achieved over the medium term if new institutions are established by Government for policy making and strategic delivery.

Strategic Changes in Housing Support and Housing Benefit

The merger of responsibility and resourcing of housing benefit and housing support into overall policy making body and one budget under the oversight of one Department in England and in each of the Devolved Administrations.

- 7.4 In total the Government spend about £30bn per year on all aspects of housing of which £24bn is on Housing Benefit. What are currently almost entirely separate policies for housing support and for housing benefit need to be brought together and the resources and expenditure under those programmes reprioritised steadily over time so that most resources move from welfare support to capital support for new build in all sectors of housing and for maintenance and management of the social sector. That will require a sustained twenty year programme to effect the switch.

Devolution and City Regions

The creation of City Region Housing Commissions in England with strategic responsibility for delivering Adequate levels of affordable housing within each of the proposed City Regions, with equivalent arrangements in each of the devolved administrations and for rural areas of England.

7.5 All parties are theoretically committed to greater devolution within England and to Scotland, Wales and Northern Ireland. The Labour Party is specifically committed to creating new city Regions. Having abolished Regional targets, the Coalition in their Localism Act seemed to go some way to giving local authorities a more strategic role on housing - on planning, on land, on assessment of need and on social housing but this was not followed through with real powers and resources. In the years where there was the most substantial level of building of new homes local authorities used to have major housing departments, Architects Departments and Direct Labour Organisations. Most of this no longer exists. Moreover housing needs often transcends local authority boundaries and the so called duty to cooperate amongst local authorities has not yet been seen to work. If City Regions are to be established they should have Housing Commissions with powers and resources devolved from Westminster and pooled between local authorities. The exact format will depend on wider decisions on City Regions but the City Region Housing Commissions responsibilities and powers should include:

- To assess the demand for all forms of housing within the City Region/travel to work area;
- To engage with local authorities in the major planning decisions for residential housing of all types and regeneration of communities;
- To have power themselves to raise capital on the market for investment in all forms of affordable housing.
- To enter partnerships with housing associations and private developers to deliver new affordable housing of all kinds;
- To take over and deploy all available public land for residential buildings and related facilities;
- To take over and manage all existing social housing and responsibility for HRA and Housing Waiting lists in the City Region area.
- To have powers of compulsory acquisition of empty property and land needed for affordable housing.
- To operate with the local authorities so that decisions on housing planning strategy , future social housing rents, the operation of RTB etc relate to the housing needs of the total area.

Rural Housing Commissions

7.6 There will also need to be a step change in the provision of affordable housing in rural areas. That will also mean parallel development of new delivery mechanisms for English rural areas that can overcome land and nimby problems and start building affordable housing in our villages and small towns – probably in the form of a new Rural Development Commission (or commissions).

The Immediate Emergency Programme

7.7 The incoming Government should start to move immediately to institute at least the following measures in the first eighteen months.

Immediately

7.8 **Designate a Single Government Department and a Single secretary of State responsible for all housing matters**

Change in Whitehall needs to start immediately although they will take time to deliver effectively. Start by designating a senior Minister to deal with the logistics and within a year move to a single budget and Department covering all issues relating to housing: responsibility and funding for housing policy and planning from DCLG, Housing Benefit from DWP and the construction Sector from BIS.

7.9 Announce immediately a halt on the incorporation of Housing Benefit into the Universal Credit system

Housing benefit needs to be seen as part of housing policy and a long term move is needed away from revenue support via benefit towards support for housing provision. That switch can only be made over the long term but once Housing Benefit is incorporated into Universal Credit albeit as a distinct Housing Element it will be difficult to disentangle it.

7.10 Integrate and Redirect Support Schemes : From Help to Buy - to Help to Build

The range of disparate support schemes need to be brought together and half the level of guarantees and underwriting directed at support for finance to build – by councils, housing associations and the private developers and the other half continue to underwrite support to buy.

7.11 Initiate a Fundamental Review of Affordable Rents and the Affordable Homes Programme

An urgent Review is needed on the basis for a new strategy for social housing which will leave rents 'affordable' in the literal sense without the average family in normal times depending on housing benefit.

7.12 Stalled Developments

Housing developments which already have planning permission should be started within six months or else the planning permission is revoked and passed to another developer.

7.13 Local Authority Borrowing Powers for Housing

Treasury should adopt international standards for definition of Net Public Sector Borrowing and General Government Financial Deficit which would have the effect of excluding Local Authority borrowing for housing development from general government borrowing. At the same time Treasury should allow a write down of the inflated historic debt provision when HRA reform was finally introduced; and introduce earmarked Housing Bonds for any future Quantitative Easing. Taken together these provisions would significantly increase the ability to borrow to invest in all forms of housing.

7.14 Mortgage Market Stability

The FCA should be asked urgently to review the mortgage market – including the Buy to Let market - with a view to introducing measures to achieve greater long term stability to the market.

7.15 Pension Fund Investment in Housing

Discuss with Pension Funds the need for higher levels of investment in affordable housing and consider whether legislation is needed to incentivise pension funds to allocate a minimum proportion of investments to affordable housing.

7.16 Construction Industry

Discuss with both the leading and smaller housebuilders, banks and mortgage providers and the CITB problems of finance and skilled labour shortage that would be encountered with a substantially higher housebuilding programme and the solutions needed to overcome those shortages.

Programme for the First Legislative Session

7.17 Empty Homes and Conversions

Legislate to give Local authorities a new power to impose penal Council Tax and to acquire compulsorily and refurbish homes that have been empty for more than six months continuously, including office blocks suitable for conversion and second homes that are continuously empty.

7.18 Regulation for the Private Rented Sector

Introduce legislation requiring local authorities to introduce Registration of private landlords with rules requiring minimum quality of premises and protecting tenants from arbitrary rent increases and eviction. With reserve powers to regulate rents.

7.19 Right to Buy

Legislate to ensure that all future RTB sales are replaced like for like and done for one by new social housing; and that all sales and discount offers have to be judged by the local authority against the housing needs of the area; and adjust criteria of eligibility.

7.20 Planning Framework

Review the National Planning Framework to ensure that local authorities have the responsibility to assess housing needs and pursue policies to provide for balanced communities with mixed forms of tenure; amend legislation to ensure that all major housing developments include a quotient of social housing under section 106 or CIL equivalent arrangements.

7.21 Housing Quality

Increase support for improved housing design enhance Building Regs and Planning Regulations for new build and significant improvements on design, building fabric space provision, energy efficiency and safety.

Possible Programme for Second or Third Legislative Session

7.22 Disentangle Regulation and Funding

Disband the HCA and establish an **Affordable Housing Commission** for England for channelling Central Government funding. And **Rented Housing Regulator** to oversee regulation of rental provision at local level for both the private and the social sector and deal with appeals from local level.

7.23 New Towns

If after having considered the practicality and cost of establishing New Towns in the English Regions it is decided to go ahead, legislation will be needed to deal with planning issues and deliver the New Towns.

7.24 A Housing Bank

If it is decided to establish a specialist Housing Bank that too would need legislation.

8 But can we afford it??

In the present context any proposals for increased expenditure on housing – or anything – is faced with the objection that the country cannot afford it.

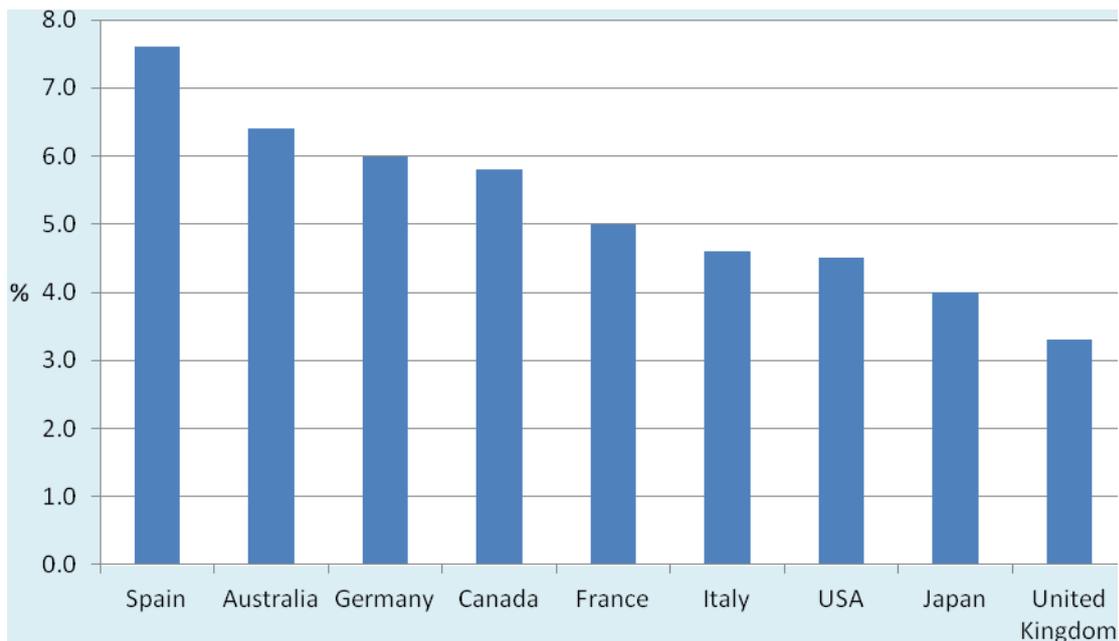
In terms of public expenditure the constraints arise from immediate budgetary considerations and arbitrary rules and definitions – as for example the definition of the public borrowing requirement. These may be important politically and presentationally but they are essentially short term or artificial constraints. But housing needs are for a lifetime and buildings themselves may last 100 years and more..

If we look at the real constraint - whether the economy and society as a whole can afford the resources - we can only look at two measures:

- what comparable countries can achieve; and
- what we have achieved in the past.

In terms of comparable countries, the UK spends the lowest proportion of our GDP on housing infrastructure.

Chart L: International Comparison of Percentage of GDP spent on Housing Infrastructure – Average 1996-2011



In terms of our past performance relative to our population and wealth at the time it is clear that we have seriously underperformed on housing for decades.

Table 14: Number of Dwellings Completed as compared to Population and GDP 1920s to 2010s

Decade	Ratio of House Completions per 100,000 Population	Ratio of House Completions to GDP (£m)
Twenties	2.8	::
Thirties	4.6	::
Forties	3.9	31
Fifties	5.6	37
Sixties	6.2	34
Seventies	3.5	17
Eighties	3.1	11
Nineties	2.7	7
2000s	2.3	6
2010s	2.0	4

If we could afford to build at so much faster rate through poverty, depression, postwar recovery and austerity – we can surely do so now.

Of course we can afford it.

The real issue is we cannot afford not to.