

Section 2 Commentary

Chapter 2

Dwellings, stock condition and households

Matthew Scott and John Perry

This chapter brings together analysis of the latest data on the need for housing in the UK and the adequacy of the dwelling stock to meet those needs. This year, the ‘people’ aspect of this analysis is covered elsewhere: Contemporary Issues Chapter 3 includes discussion of migration, its effect on population growth and on housing need; Contemporary Issues Chapter 1 presents a new analysis of housing needs in England.

For this edition, the chapter therefore focuses on the housing stock. It covers the current evidence and debates about:

- housing supply compared with projected need, across the four UK countries
- the older housing stock and government measures to improve it
- the pressing issues of damp and mould and achieving net zero in the housing stock.

It concludes with evidence that stock conditions are worse for black and minority ethnic residents.

Housing need and supply

New housing supply in England recovered after the pandemic and for the last two years has been at a net figure of 234,000 annually, once conversions, demolitions, etc. have been factored in (Table 2.2.1: note that the totals are much higher than reported in DLUHC’s quarterly construction statistics, also shown in the table). However, the figure remains well below the government’s recently restated target of 300,000 new homes annually, and even further below the ideal 350,000 needed annually to meet demand (see Contemporary Issues Chapter 1). If it forms the next Westminster government, Labour has promised to build 1.5 million homes over five years, i.e. to meet the current Conservative government’s target.

Comprehensive net supply figures are not calculated for the other three UK countries, but the available data show that overall housing provision is meeting official projections of need in each case (the current projections are summarised in more detail in this chapter of the 2021 *Review*):

Table 2.2.1 Net additions to housing supply in England, 2016/17 to 2022/23

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
New build completions	183,571	195,387	214,413	219,120	191,819	211,665	212,568
+ Net conversions	5,680	4,547	5,162	4,344	3,410	4,855	4,499
+ Net change of use	37,189	29,726	29,295	26,713	21,471	22,905	22,163
+ Net other gains	723	680	968	857	643	766	641
- Demolitions	9,818	8,059	7,961	8,332	5,478	5,729	5,474
= Net additional dwellings	223,234	228,170	247,766	248,591	217,754	234,462	234,397
Quarterly new build figures	147,520	160,910	169,060	175,330	154,660	171,160	174,440

Sources: DLUHC Housing supply: net additional dwellings, England: 2022/23; DLUHC Live Table 213 Quarterly new build completions (not seasonally adjusted).

Note: Totals are affected by rounding. Since the previous *Review*, DLUHC has adjusted the totals of ‘Net additional dwellings’ to reflect the findings of the 2021 Census. This means that the totals for years to 2020/21 are no longer the sum of the component elements.

- In Wales, the current estimated requirement is 7,400 extra dwellings per year. For the past five years, slightly more than 7,500 homes have been added on average each year.
- Scotland has a projected household growth of 12,000 annually to 2028. This is more than met by net additions to the stock: over the five years to 2020/21, on average around 19,600 new homes were provided annually (including conversions), while demolitions average a little more than 1,000 annually. However, separate estimates of affordable housing need support the current Scottish Government target of providing 11,000 affordable homes annually (see Commentary Chapter 4).
- In Northern Ireland, projected need is for just under 4,900 new homes each year. For the past five years, the stock has been growing by almost 6,000 homes annually.

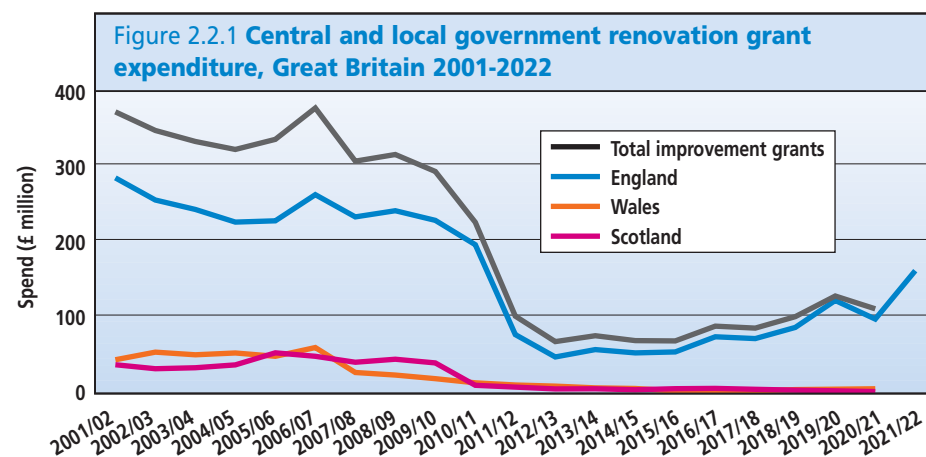
Investment in renovating the existing housing stock

The UK has an ageing housing stock, with around six million homes built more than a century ago. Despite the significance of the older stock, government investment in renovating it has declined rapidly, as Compendium Tables 28

and 29 make clear. A recent report for the Centre for Ageing Better, *Lost Opportunities*, provides some useful graphical summaries of this decline.¹

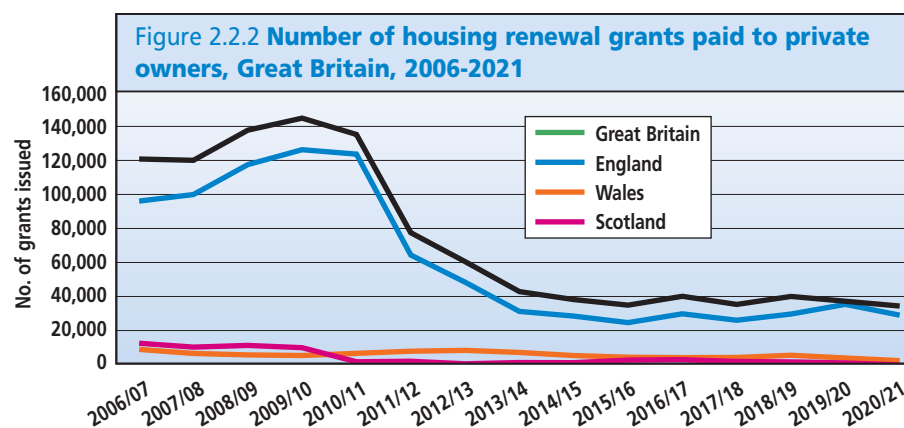
Government investment in housing renewal, which increased markedly in the 1970s and 1980s after large-scale slum clearance ended, was still running at significant levels in the first decade of the 2000s. Figure 2.2.1 shows how this changed: spending fell from around £327 million on average each year across Great Britain for the decade to 2010/11, to only £93 million annually in the following decade, despite an uplift from 2016/17. As *Lost Opportunities* points out, this is a cumulative loss of government-led investment of about £2.3 billion over the last ten years.

The decline in spending is reflected in the fall in numbers of homes renovated with the aid of government grant. Figure 2.2.2 shows that the number of housing renewal grants to private owners since 2006/07 peaked in 2009/10 with 127,000 paid in England alone, but then fell to the current level of around 40,000 annually across Great Britain. *Lost Opportunities* points out that, had the average annual level of homes supported in the decade to 2010/11 been maintained for the decade to 2021/22, a further 586,500 properties would have been renovated in England. This is similar to the entire number of non-decent privately owned or rented homes in the North East and North West regions.

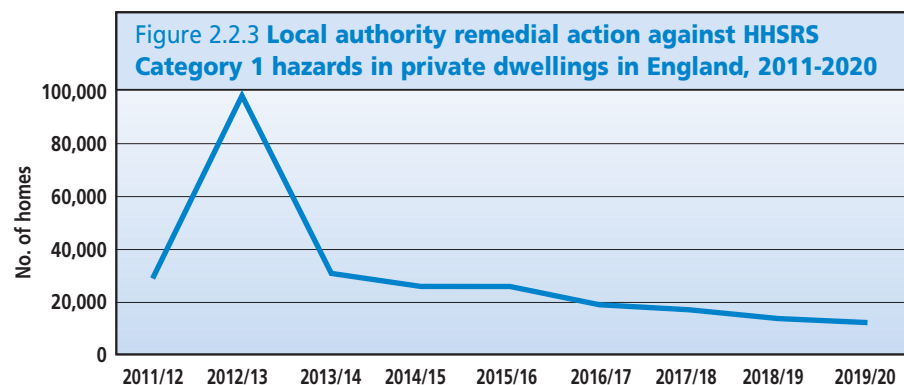


Source: Centre for Ageing Better, based on DCLG Live Tables 313 and 314 and related statistics; UKHR Compendium Table 28.

In 2021/22, the English Housing Survey showed that 2.3 million households (ten per cent) lived in a home with at least one of the most severe (Category 1) hazards under the Housing Health and Safety Rating System (HHSRS). The *Northern Housing Monitor 2023* points out that 823,000 of these are in the three Northern regions, where the ratio is higher than average, and which might in earlier years have benefitted considerably from government-sponsored housing renewal programmes.² Figure 2.2.3 shows how government-led action to remove such hazards has fallen to fewer than 20,000 cases annually.



Source: DLUHC (and predecessors) Local Authority Housing Statistics Open Dataset, Live table 314 and related statistics, Welsh Government Stat Wales and Scottish Government Housing Statistical Bulletin tables; UKHR Compendium Table 29a.



Source: Centre for Ageing Better, based Housing Strategy Statistical Appendix (HSA) until 2014/15 then Local Authority Housing Statistics.

Demolition is of course another solution for older housing stock that is beyond repair. As Table 2.2.1 shows, at present demolitions are running at around 5,000 per year in England, very likely concentrated in local authority stock that is being regenerated, rather than in older, private stock. Scotland has a proportionately higher level of demolitions (about 1,000 per year over the last five years). Nonetheless, it is clear that, across the UK, practically all of the existing dwelling stock is due to have a much longer life before it is replaced.

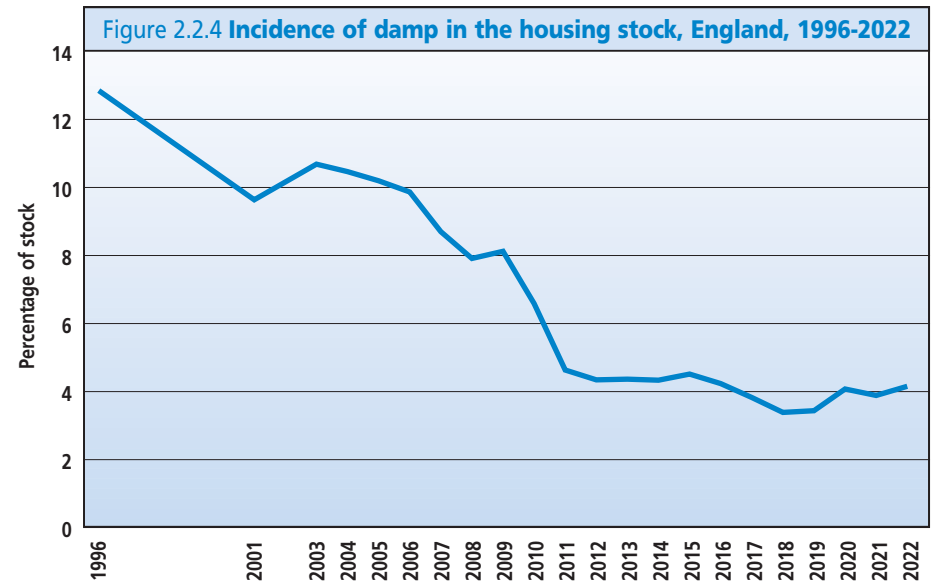
The remainder of this chapter focuses on three key issues concerning the condition of the existing stock which are receiving public attention and are the subject of government intervention of different kinds.

Progress with improving the existing stock: damp and mould

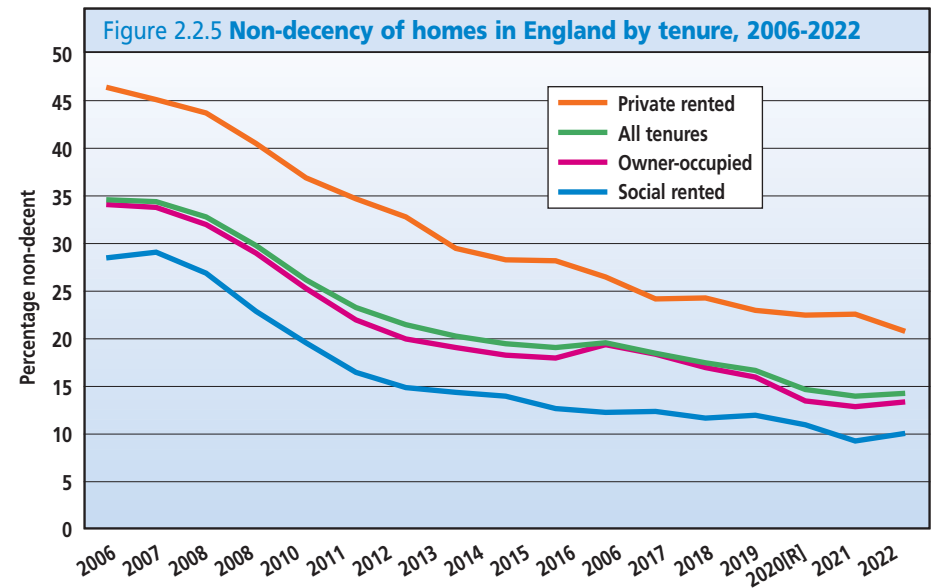
Dealing with damp, mould, and condensation continues to be a top priority for UK and devolved governments, and for the housing sector. November 2023 marked the third anniversary of the publication of the coroner’s Prevention of Future Deaths report³ into the death of Awaab Ishak in Rochdale, and a month later the sector marked the first anniversary of the publication of the Better Social Housing Review, which examined issues of quality, decency, and culture in social housing.⁴

However, the latest data from the English Housing Survey (EHS) continues to indicate next to no progress on damp and mould issues (see Figure 2.2.4).⁵ The proportion of homes recorded as having damp issues in England in 2022 was 4.1 per cent, up slightly from 3.8 per cent in 2021. Since 2012, this proportion has hovered at around four per cent, after significant improvements between 1996 and 2011.

When disaggregated by tenure, the EHS data continue to show that rental properties are more likely to have damp problems. In 2022, nine per cent of private rented sector homes had issues with damp, as did just over five per cent of social rented homes. Beyond this, the data also show a larger prevalence of non-decency and HHSRS hazards in private rented homes. In 2022, one in five private rented homes were classified as non-decent (see Figure 2.2.5), and 11.9 per cent were classified as containing at least one HHSRS hazard.



Source: English Housing Survey (EHS) 2022-23, Table 4.5.



Source: English Housing Survey (EHS) 2022-23, Table 4.4.

These figures reflect the ongoing challenges with regulation and enforcement in the PRS in England. At the time of writing, the Renters (Reform) Bill is moving towards becoming law, and will for the first time apply the Decent Homes Standard to the private rented sector. However, it is unclear exactly how and from when the standard will be implemented.

Simultaneously, government has also been undertaking a review of the Decent Homes Standard, and (via the Regulator of Social Housing [RSH]) will apply new consumer standards to the social rented sector from 2024. It also intends to implement 'Awaab's Law', which will oblige social landlords to address serious health hazards in their homes within minimum timescales. These new regulations will necessitate an improvement in repairs and maintenance processes among social landlords, and they have led, along with volatile market conditions and inflation, to record investment in repairs and maintenance services in the sector. The RSH's global accounts for 2023 showed that this figure reached £7.7bn in 2023, 20 per cent more than in 2022, and could increase further in the coming years (see Compendium Table 71). As discussed in Commentary Chapter 4, borrowing is a key source of funding for this investment, which is transforming the finances of the sector in uneven and, perhaps, unsustainable ways.

In the devolved nations, there is no annual survey undertaken on the quality and decency of homes, which makes assessing the extent of the issue and the investment needed to remedy it challenging. In Wales, a survey issued by Welsh Government noted that five-year rolling stock surveys were the most common approach in the social housing sector, but there is no centralised collation or publication of this data. In Scotland, general disrepair data is produced as part of the Scottish House Condition Survey, but issues relating to gaining access to homes during the pandemic have led to questions about the sample size and accuracy of the figures. Overall, the lack of timely and reliable data on these issues across the UK is a serious matter; without good data, it is difficult to understand the extent of investment, both public and private, that is required to improve the stock.

Although difficult to prove with existing data, there is also some evidence to suggest that the most recent rise in the prevalence of damp is linked to underconsumption of heat in domestic dwellings. Latest government statistics on energy consumption

show that, after removing weather effects, energy consumption in buildings fell by 11 per cent in 2022, possibly 'attributable to behavioural changes driven by other factors such as an increase in energy and other prices'.⁶ Put plainly, the rise in domestic gas and electricity prices from October 2021 has led to sharp increases in the number of people unable to heat their homes, increasing the likelihood of damp and condensation developing. In addition, due to the Covid-19 national lockdowns, the rate of maintenance and repairs slowed, making remediation of damp problems less prompt. Further, the evidence suggests that this relationship is likely to be exacerbated by the energy (in)efficiency of homes, with research by Citizens Advice demonstrating that renters in homes with an EPC of D-G were 73 per cent more likely to experience damp than those in homes with an EPC of A-C.⁷ This refocuses our attention towards energy efficiency.

Progress with improving the existing stock: energy efficiency

Of all policy interventions linked to housing, improving the energy efficiency of domestic homes is one with the widest ripple effects. Broadly speaking, improving energy efficiency leads to lower energy costs, reduced overheating risks, and a lower prevalence of health hazards in the home, including damp. The knock-on impact of these changes is significant, with evidence increasingly showing positive effects for the NHS and for local economies.⁸ Not insignificantly, reducing energy demand in homes is one of two critical pillars for meeting statutory net zero targets; the Climate Change Committee's 6th Carbon Budget requires a 78 per cent reduction in UK territorial emissions between 1990 and 2035, a 63 per cent reduction from 2019, with energy efficiency improvements playing a significant role.⁹

Despite this, progress on this crucial area is mixed. In the last decade, the proportion of homes in England classified as EPC Band A, B, or C has increased from 19.3 per cent to 48 per cent. In Scotland, the latest data cover 2021, and show that 52 per cent of homes were EPC Band C or above in this year. Although the housing stock in Scotland has a marginally higher average energy efficiency than England, colder temperatures, a higher frequency of extreme weather conditions, and issues with rurality and remoteness mean that this does not automatically translate to warmer homes or lower levels of fuel poverty.¹⁰ In Wales, the most recent data are from 2017/18, and show that 28.3 per cent of homes are EPC Band C or above. Northern Ireland has the least recent information available,

with the latest official data compiled as part of the 2016 Northern Ireland House Condition Survey. In 2016, 49.4 per cent of homes were in EPC Band C or above. These figures are not directly comparable across nations, especially due to the time lags in the years that they cover.

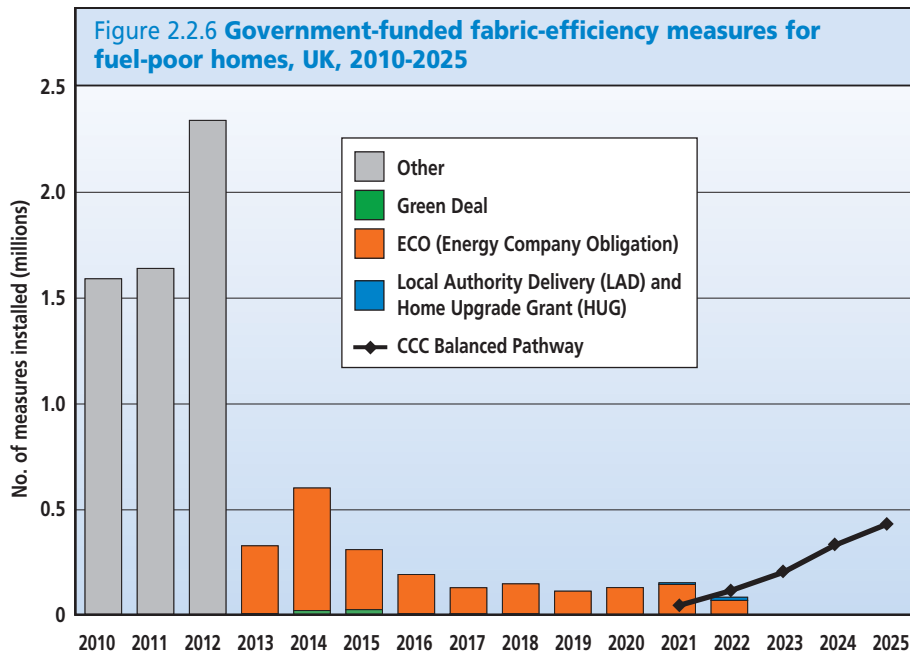
However, in all nations there is evidence of a partial plateauing in the pace and scale of energy efficiency improvements. Hesitant and, in some cases, backpadding policymaking has been a principal cause of this slowdown. In England, the current government announced its plans to allocate £6 billion of funding for energy efficiency from 2025-28 in December 2023. This included expansions of the Social Housing Decarbonisation Fund and the Heat Network Efficiency Scheme, and the announcement of a new £400 million energy-efficiency grant to make homes ‘heat-pump ready’ and a new £500 million local authority-led retrofit scheme.

Although these provisions are hugely welcome, they do not add up to £6 billion per annum (even assuming continuations of the Energy Company Obligation and Great British Insulation Scheme), which is what some assessments note to be the minimum required to meet statutory fuel poverty targets. Interestingly, £6 billion is the amount understood to be earmarked by Labour if it should form the next government, as part of a promised £28 billion green investment fund (assuming, of course, that the promise is kept and implemented).

As a result of the current shortfall in resources, it seems unlikely that the Climate Change Committee (CCC) will significantly adjust its most recent analysis, which noted that ‘the number of Government-backed retrofits for fuel-poor households and residents of social housing has been insufficient for some years’ (see Figure 2.2.6 for the CCC’s latest assessment of the required trajectory). Meanwhile, regulatory action has also taken one step forward to take two steps back. Although the government is due to consult on energy-efficiency requirements in social housing, proposed updates to standards in the PRS have been scrapped, with no formal proposals at all for the owner-occupied sector.

Scotland has historically been the most ambitious of the nations in its energy-efficiency policies, a trend that continued with the publication of its Heat in Buildings Bill. The Bill would set minimum energy-efficiency standards for the private sector and new standards for social housing. While bold in scope and reach, there are concerns that social landlords will not be able to meet the proposed new standards without significant extra funding, especially given the increasingly short timescales proposed in the Bill together with ongoing inflationary pressures.

In Wales, the latest iteration of the Welsh Housing Quality Standard comes into effect in April 2024. One of the main aspects of the new standards are measures to promote affordable warmth, which will require social landlords to undertake a whole stock survey and use this to produce a targeted energy pathway which should set out how and when they will meet EPC A. As with Scotland, the ambition of these proposals has not been matched with appropriate funding



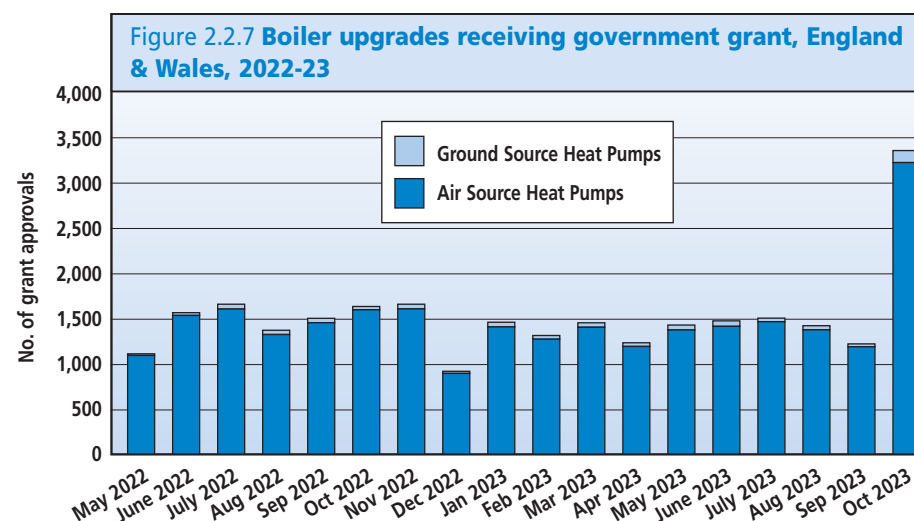
Source: CCC 2023 Progress Report to Parliament, figure 5.5.

certainty from the Welsh Government. Finally, in Northern Ireland, there are no policies or funding support for retrofit, beyond a few sentences in the 2021 Energy Strategy about piloting retrofit projects with a view of scaling up delivery. Overall, there is a muddled but nonetheless broadly consistent picture of ambition in words but not in deeds, especially in deeds that might comprise adequate government financial support for energy-efficiency schemes.

Progress with improving the existing stock: decarbonisation

If improving energy efficiency and reducing energy demand are the first pillar on which decarbonisation stands, ending the use of fossil fuels to heat and power our homes is the other. According to the Energy Networks Association, around 85 per cent of households in Great Britain are connected to the gas network; in Northern Ireland, the proportion is much smaller, with around 316,000 gas connections – around 40 per cent – across its three network areas.¹¹ All of these homes, as well as several thousand more that are off the gas-grid and use oil boilers, must have their heating decarbonised if the UK is to reach net zero.

Similarly, progress towards energy efficiency remains mixed. The UK government has a target to install 600,000 heat pumps per year in existing homes by 2028. It is in the process of implementing an ambitious policy framework to achieve this. The Clean Heat Market Mechanism, introduced in 2024, will obligate fossil fuel boiler manufacturers to sell heat pump units totalling four per cent of their fossil-fuel appliance sales, a proportion that will gradually rise to encourage transition. The Boiler Upgrade Scheme provides £7,500 towards the cost of a qualifying heat-pump installation, and will be supported by over £1 billion of new funding from 2025. Energy-efficiency schemes aimed at fuel-poor and social homes, such as the Social Housing Decarbonisation Fund (SHDF), also include heat pumps, but take up remains low, with only four per cent of all SHDF measures to date defined as heat-pump installations.¹² In the devolved nations, Scotland has again led the way with its Home Energy Scotland Grant and Loan, which offers a combined grant and interest-free loan of up to £15,000 to install a heat pump. Across all nations, policies are also being implemented to grow the pool of trained heat-pump installers, such as through the Heat Training Grant.



Source: DESNZ Boiler Upgrade Scheme statistics.

However, the evidence suggests that these policies are far from sufficient to meet the 600,000 heat-pump installations per year target. In its 2023 progress report to parliament, the CCC stated that current installation rates 'are around one-ninth of this and are not increasing fast enough'.¹³ Other analysis concurs, with National Grid's latest Future Energy Scenario report noting that 'current incentives are insufficient to drive uptake of low carbon heating technologies to stay on track with scenarios which meet the 2028 heat-pump installation target'.¹⁴

Significant delays to some net zero policies, such as the phase out of replacement fossil-fuel boilers in off-gas homes, has further stymied progress. Consequently, and although slightly higher estimates exist, the European Heat Pump Association (EHPA) counted just over 55,000 heat-pump installations in the UK in 2022.¹⁵ Installations in 2023 will doubtless be slightly but not significantly higher once the EHPA publishes its latest annual figures. In the policy landscape, one of the critical gaps is action to reduce the price of electricity. While the government has plans to decouple gas and electricity prices and rebalance the levies attached to consumer gas and electricity bills, this is unlikely to be enough to make heat pumps truly affordable to run, especially for fuel-poor and social homes.

To accomplish this, more radical action is likely to be required, possibly in the form of a subsidy for low-income households in the form of a social energy tariff, which CIH and others have advocated.¹⁶

Progress is slightly more on track in the new build sector. At the time of writing, government is consulting on the final design of the Future Homes Standard in England and Wales, which is expected to drive heat pump installations in new builds alone to 90,000 per year from 2025.¹⁷ Scotland and Northern Ireland have made similar moves, with Scotland again the most ambitious with its proposals for all newbuild housing to meet a Scottish equivalent of the *Passivhaus* standard from 2025. Meanwhile, Northern Ireland has consulted on uplifts to Building Regulations that will see conventional fossil-fuel boilers banned in most new buildings from late 2024. While these policies are welcome, they are long overdue; under Cameron’s Coalition government, an original zero carbon homes standard proposed in 2006 was perpetually delayed and then scrapped in 2015. As a result, in the last ten years over 100,000 homes have been built that are at EPC D or below, and will require improving to EPC C in the future.

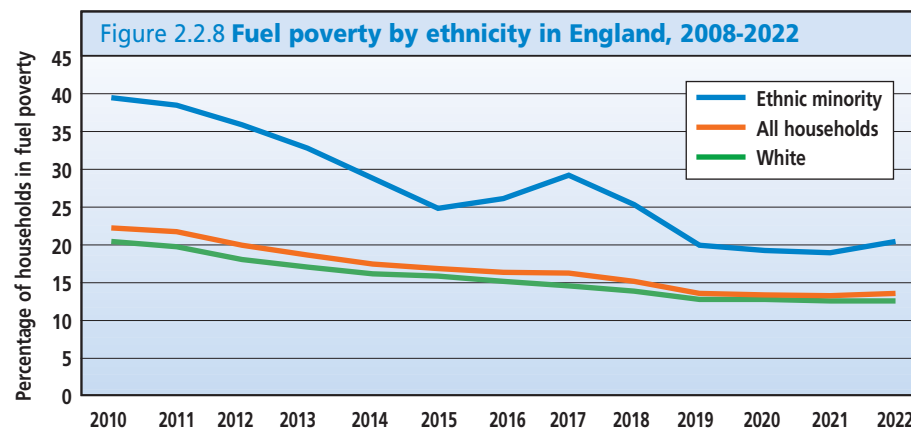
Heat pumps are not the only decarbonisation technology in town, and heat networks will play a significant role in providing affordable heat at scale, especially in areas of high household density. The CCC estimates that around 20 per cent of all heat in the UK will be provided by heat networks in 2050. But they too face complex, messy policy issues. Current government proposals for heat-network consumer regulation do not envisage the introduction of a price cap, which may put households at risk of inefficient networks charging high prices just to recover enough costs to remain viable. A zoning methodology that will effectively compel some households to connect to monopoly heat networks remains in development, heightening the importance of ongoing work to optimise the design of efficient (and therefore affordable) networks. Around two-thirds of all heat networks are operated by social housing providers, who may struggle to comply with forthcoming regulations if additional support is not supplied. And over the fragile, intricate decarbonisation policy landscape, the spectre of hydrogen looms, with government seemingly sticking to its plan to take a strategic decision on the role of hydrogen in 2026 despite cancelling its mooted village trials, in the face of local opposition.

Coda: conditions are worse for black and minority ethnic residents

The issues examined in this chapter are not the same everywhere and for everyone. The *Better Social Housing Review* found that black and minority ethnic (BME) residents were regularly discriminated against by social landlords and consistently experienced poorer service outcomes than other groups.

When some of the data discussed in the second half of this chapter are disaggregated, racial inequality is a common theme. For example, national fuel poverty statistics in England show that households with a minority-ethnic household reference person (HRP) are far more likely to live in fuel poverty than households with a white HRP. In 2022, approximately 1 in 5 ethnic minority households were in fuel poverty, compared to approximately 1 in 8 white households (see Figure 2.2.8). This is partly explained by an £8,000 income gap between BME and white households in the EHS data, with ethnic-minority households earning on average 30 per cent less than the median.

Other metrics tell a similar story. Although the latest EHS reports, published in December 2023, do not yet have data released on housing condition and ethnicity, in 2021/22 households with a black HRP were over twice as likely to have damp problems in their home than households with a white HRP. In the Resolution Foundation’s research, people from Pakistani or Bangladeshi backgrounds were the



Source: DESNZ Trends in Fuel Poverty statistics, table 15.

most likely to report living in poor quality housing (36 per cent), followed by Black families (26 per cent).¹⁸ Moreover, people from ethnic-minority backgrounds, as well as people seeking refuge, often face additional barriers to reporting housing quality issues to their landlord.

This evidence reinforces the need to consider – and tackle – the ways that racial inequality is embedded within our use and treatment of the existing housing stock. A shift in the sector is already underway, partially prompted by the *Better Social Housing Review*, and placing the voices of people who experience racial discrimination at the heart of housing policy will be an essential prerequisite to closing the gaps highlighted in this coda. But as this process accelerates, these statistics act as a perpetual reminder that tackling racism in housing remains a pressing and urgent task.

Notes and references

- 1 Turkington, R. (2023) *Lost Opportunities: A decade of declining national investment in repairing our homes*. London: Centre for Ageing Better.
- 2 Long, D. (2023) *Northern Housing Monitor 2023*. Sunderland: Northern Housing Consortium.
- 3 See www.judiciary.uk/wp-content/uploads/2022/11/Awaab-Ishak-Prevention-of-future-deaths-report-2022-0365_Published.pdf
- 4 The report and related material can be seen at the dedicated website (www.bettersocialhousingreview.org.uk).
- 5 This and subsequent figures from the EHS are taken from DLUHC (2023) *English Housing Survey 2022 to 2023: headline report*. London: DLUHC (www.gov.uk/government/collections/english-housing-survey-2022-to-2023-headline-report).
- 6 Department for Energy Security and Net Zero (2023) *Energy Consumption in the 1970 to 2022*. London: DESNZ.
- 7 See www.citizensadvice.org.uk/about-us/our-work/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/damp-cold-and-full-of-mould1/
- 8 Powells, G. *et al* (2023) *Warm Homes Fund Programme Evaluation*. London: National Energy Action.
- 9 Climate Change Committee (2020) *The Sixth Carbon Budget: The UK's path to Net Zero*. London: CCC.
- 10 See www.changeworks.org.uk/insights/a-perfect-storm-fuel-poverty-in-rural-scotland/
- 11 See www.energynetworks.org/energy-networks-explained/; for Northern Ireland, see www.northernireland.gov.uk/topics/energy/gas
- 12 See www.gov.uk/government/statistics/social-housing-decarbonisation-fund-statistics-november-2023
- 13 Climate Change Committee (2023) *Progress Report to Parliament*. London: CCC.
- 14 See www.nationalgrideso.com/document/283101/download
- 15 See www.ehpa.org/market-data/
- 16 CIH (2023) *A social energy tariff: the benefits of energy market reform for the social housing sector*. Coventry: CIH.
- 17 See www.nationalgrideso.com/document/283101/download
- 18 Try, L. (2023) *Trying times: How people living in poor quality housing have fared during the cost of living crisis*. London: Resolution Foundation.