

Section 1 Contemporary issues

Chapter 3

Ten unresolved housing issues for the next government

John Perry

One of the *UK Housing Review's* main purposes over 22 years has been to monitor government policy and its effects on housing. Given that this edition of the Review appears shortly before a general election, it is an appropriate point to take stock. However, rather than look backwards over what has been achieved (or not) over the last five years, the editors decided to look forward. Here, based in part on the evidence and background material that informs the Review, is our 'to do' list of the issues relating to housing that face any incoming government. Most of these are not new, but in each case the scene has changed since the last election and – in many cases – problems have become more intractable. If these problems are not fully addressed, though, we can confidently predict that the verdict on the next government's progress will not be a positive one.

Given that the election is for the Westminster parliament and many of its housing responsibilities only cover England, this is the main focus of our analysis. However, several issues such as mortgage regulation and taxation are UK wide, and we take a UK perspective on those. Elsewhere in the Review, Contemporary Issues Chapter 1 examines the impact and future of welfare reforms, while Chapter 2 considers the wider implications of the new devolution settlement for housing policies in the rest of the UK.

1 How do we double the numbers of homes built each year?

Although it did not set a housebuilding target, the coalition acknowledged in its 2011 housing strategy *Laying the Foundations* that 232,000 extra homes were needed annually in England to cater for household growth. Projections of growth have since fallen slightly to 220,000, and they may fall again (new projections are due as the *Review* goes to press). Alan Holmans has suggested that the net new annual requirement is 250,000, and this figure was endorsed by the then planning minister Nick Boles.¹ The Lyons Review, charged with putting forward measures to raise output to at least 200,000 per year in the next parliament, suggests that total output should in fact be 243,000.² There is therefore a near consensus that some 240-250,000 new homes are needed annually, although caution should be exercised about reliance on household projections which are about to be revised (the caveats about them were set out in Commentary Chapter 2 of last year's *Review*).

At the same time, over the life of this parliament, output has so far averaged only 112,000 completions annually in England. While output was affected by the slow recovery of the economy from recession, it was actually higher in the second year of the new government than it is now. However, the pipeline via planning permissions and new starts has begun to look more promising.

The Barker Review in 2004 placed part of the blame for the supply-demand gap on the unresponsiveness of UK housebuilding to increased demand, as reflected in house prices. Recent evidence shows that Britain does suffer from this unresponsiveness to a greater extent than other countries.³ The proportion of GDP devoted to housing investment is also consistently lower in the UK than in practically all other advanced countries (see Compendium Table 8). Kate Barker points out in *Housing: Where's the plan?* that supply falls more quickly in England when credit conditions tighten than it rises when credit is later eased.⁴ This has been apparent in the limited impact on supply of coalition measures such as quantitative easing and Help to Buy; although the slowness may be due in part to mixed market signals, because numbers of mortgage advances have slowly grown but mortgage regulations have become stricter (see Commentary Chapter 3). Interestingly, Northern Ireland has in contrast shown stronger market responses than England, with a proportionately greater output in its boom years 2005 and 2006 followed by rapid decline, obviously reflecting the even stronger boom/bust in the adjoining market in the Republic of Ireland.⁵

Barker pointed out that the development industry itself can be more concerned to bolster the value of its landholdings than to increase supply. This theme has been taken up by Lyons, who points out that '...shareholders' interests are in whether their firms meet announced targets for sales and return on capital rather than on the number of homes built'.⁶ Indeed, it might be fair to recognise that businesses are bound to be driven by short-term issues (e.g. changes in the availability of credit), necessitating government intervention if longer-term, national objectives for supply are to be achieved. The coalition's recent proposal to directly commission housebuilding, even if initially only a demonstration project, does have some potential to counter these shortcomings, especially if it were to be linked to a more proactive public sector role in land assembly (see below).

Whatever the explanation, it is clear that the industry's ability to more than double its current output is limited. As pointed out in the *UK Housing Review Briefing Paper 2014*, if an annual output of 250,000 were to be made up of (say) 200,000 private completions and 50,000 new social sector units, and private housebuilding expanded towards this level by a consistent 10-15 per cent annually, it would still take until around 2020 to deliver the target.

2 Can we ensure the supply of more land available for housing?

While there may be disagreement on the reasons for shortages of development land, there is broad consensus that they are a big factor in holding back housing supply. The coalition has focused on reforms to the planning system and on release of public sector land, but has given mixed messages on greenfield land. The National Planning Policy Framework (NPPF) carries a 'presumption in favour of sustainable development', but recent guidance says that the green belt may 'restrain the ability of an authority to meet its need', that authorities must combat 'urban sprawl' and 'thousands of brownfield sites are available'.⁷ In contrast, the previous minister had said 'we simply can't squeeze much more out of brownfield sites'.⁸

According to the Institute of Government, conflicting aims in reforming the planning system produce '...a series of recurrent swings between top-down interventions and institutional reforms designed to give local communities a greater say in planning decisions – often only scratching the surface of the governance of housing supply, and failing to elicit radical change'.⁹

One motivation for the NPPF was less 'top-down intervention' compared with the regional spatial strategies which it replaced, but the balance may now have swung too far. While neither main party has called for the NPPF to be replaced, both are advocating additional top-down measures – for example the garden cities proposed by the coalition in Ebbsfleet and Bicester and the 'right to grow' for existing cities proposed by Labour. The government's devolution of powers to Greater Manchester includes a new spatial strategy to set sub-regional housebuilding targets. Such measures aim to restore the balance in favour of new development, but of course they have yet to be tested at local levels.

A related issue is that producing plans and processing planning applications both take time and resources. Less than one in five councils have so far produced fully compliant local plans: the stages are lengthy, in part to resolve the conflicts noted above, and the implications of the new NPPF have had to be absorbed at local level. Government has pressurised authorities on this, despite evidence that targets may be counterproductive,¹⁰ although has since appeared to suggest that local plans are not necessary.¹¹ Putting pressure on authorities in any case sits uncomfortably with spending cuts of 46 per cent in local planning services since 2010/11.¹²

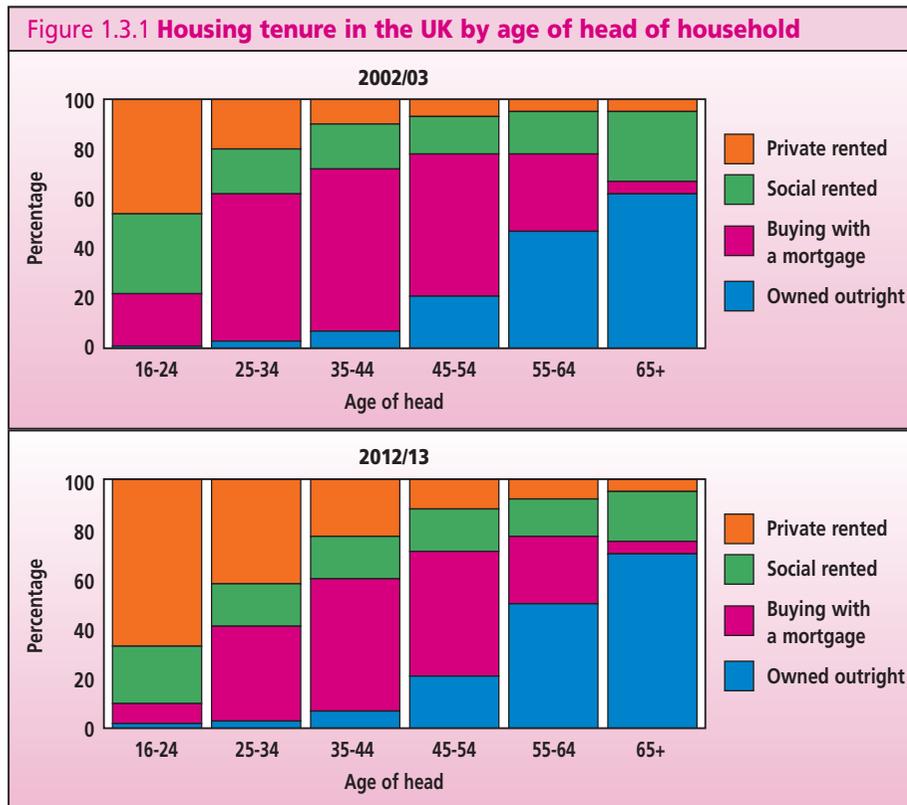
There are other unresolved issues about the planning system. For example, government has removed or limited rules believed to hold back development, such as planning gain requirements, although these can have other consequences for housing delivery. Once planning permission is granted, there are issues about delays in developing land and calls for them to be penalised through the tax system (both of these issues are addressed below). Cutting red tape may appear to offer a simple route to faster housebuilding, but reality is more complex. There may be lessons from international experience in creating a more pro-active role for local authorities, for example the varied powers available to municipalities in Germany and their close involvement in securing sufficient land for housebuilding.¹³

3 Can we meet the housing needs of different generations and income groups?

Housing needs are varied and changing, and addressing them is made more complex by unexpected or unplanned shifts in the market to which policies may only slowly adapt. Across the UK, but especially in England, the biggest market changes over the last decade have been the fall in homeownership, the growth of private renting, increased generational differences in the housing market and the difficulty of reconciling high housing costs with a prevalence of low incomes among a large proportion of the population, including many of those who are working. (Growing poverty is dealt with separately below.)

The tenure and generational issues overlap, so that, as the *Review* has pointed out, there is a still increasing cohort of (largely older) owner-occupiers who have either paid off their mortgages or now have low mortgage costs, in contrast to a (generally

younger) group who are either owners with high mortgage costs or are renters, also in many cases with high rental costs. The relatively rapid generational change is depicted in Figure 1.3.1. The picture is not a simple one, as homebuyers on average have significantly higher incomes than either renters or outright owners, but in popular parlance there is now a larger 'squeezed middle' of modest-income homebuyers vulnerable to future interest rate increases or – if renting – often young and possibly unwilling tenants who would prefer to buy but can't (e.g. because of the 'deposit barrier') and in the meantime often face high rents. As the Resolution Foundation has recently shown, over two million households are spending more than a third of their income on housing and adopting various 'coping strategies' to be able to do so.¹⁴



Source: Family Resources Survey 2012/13 (ONS).

Some older owners face difficulties, since they may want to 'downsize' but find the costs of doing so unattractive, or they may need expensive care and support, to pay for which they need access to the equity in their house. Proposals for more products offering equity release, shared ownership leasehold, flexible tenure and 'staircasing down' from full homeownership have never matured into generally available options for older owners. Nor do new housing developments oriented towards older households usually have enough two-bedroom units. Opening up the downsizing market could make a significant contribution to housing supply as it would free up larger homes and re-stimulate builders to increase the output of smaller homes (see Contemporary Issues Chapter 2).

The emergence of 'generation rent' has been particularly challenging, with a dramatic switch between tenures in the sub-35 age group. The trend looks set to continue, with some 1.5 million extra people aged 30 or under 'pushed into renting' by 2020.¹⁵ Families with children now occupy nearly one-third of private tenancies, and are less likely to move out of the sector quickly.¹⁶ The barriers to owner-occupation look set to remain in place with the 'triple lock' of the new regulatory arrangements for mortgages creating new hurdles and higher monthly costs for first-time buyers compared with the terms enjoyed by buy to let borrowers. If present trends continue, by 2032 homeownership will have fallen to 49 per cent, 35 per cent will rent privately and just 16 per cent will be in the social rented sector.¹⁷

The rapid and not entirely expected growth of private renting has stranded governments with policies that date from a time when the sector seemed to be in unstoppable decline. In particular, as the Milburn Review of social mobility and child poverty says, 'the current private rented sector offer – developed in 1988 – is not fit for its new purpose of housing families with children over the long term'.¹⁸ Government measures have largely been confined to loans and guarantees for investment, which have had limited impact in encouraging the sector to grow via new building rather than (as now) largely through property transfers from homeownership (see Commentary Chapter 3). Overall, the emphasis has been on turning more renters into owners through Help to Buy or (as envisaged by Lyons) creating a 'better' shared ownership offer, even though it

remains far more difficult for younger households to become homeowners than it was before the credit crunch.

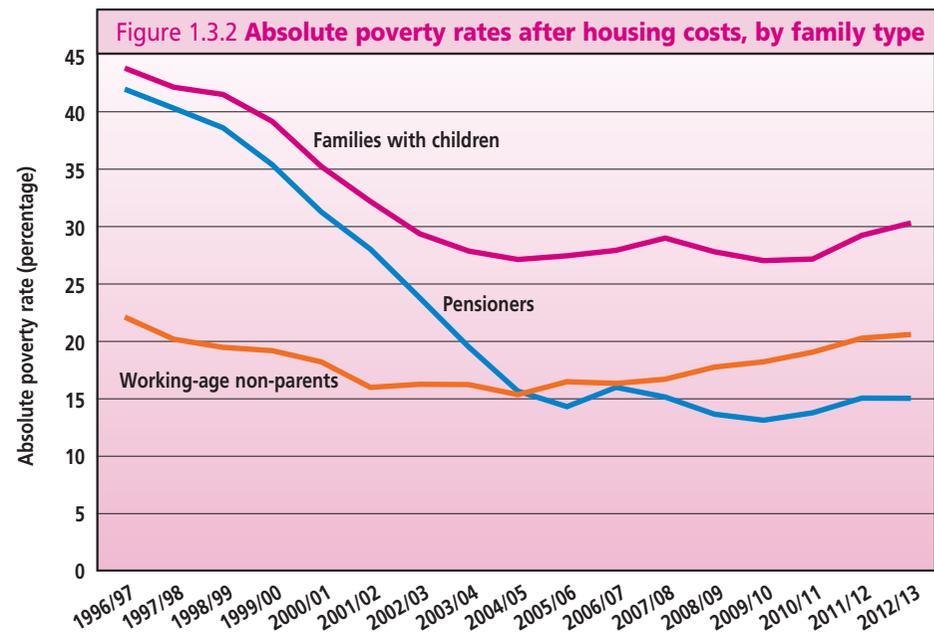
This has left a policy gap, highlighted by the lobby group Generation Rent who call for five-year tenancies, a national landlords' register, licensing of letting agents and reformed decency standards. Affordability is obviously a key concern: rents have been largely unaffected by the recent recession, increasing by eight per cent on average since 2005.¹⁹ Oxford Economics forecast that on current trends rents will rise by 39 per cent by 2020.²⁰ Private tenants already spend on average 43 per cent of their income on housing costs. Labour's modest promises of three-year tenancies with 'predictable' rent increases fall well short of Generation Rent's demands yet have still been seen as a threat by some, even though the landlord bodies often call for higher standards on a voluntary basis to drive out 'rogue landlords'.

In contrast, the Scottish Government has just introduced new powers to deal with disputes in the sector, allow stronger action to tackle disrepair and bring in a new regulatory framework for letting agents. Calls for tougher regulation in England have to take into account the severely depleted resources for enforcing higher standards. Local authorities spend on average only £10 per year per tenanted property on enforcement, and the potential to do more probably depends on the expansion of accreditation or licensing schemes for which landlords can be charged.²¹ Will there be greater pressure for government action as 'generation rent' grows in size, with renters becoming the majority of voters in some constituencies, especially in London?

4 Can we recognise the role of housing costs in feeding the growth in working-age poverty?

Households are officially 'poor' when their income is less than 60 per cent of the median; 'absolute' poverty measures this against a fixed median and 'relative' poverty against one that moves as incomes change. Both can be measured before or after housing costs: the latter (AHC) is useful in showing whether poor people's housing costs deviate from the average. Work by the Institute for Fiscal Studies²² and for the Milburn Review shows that after declining steadily until 2004/05, absolute poverty has ceased to fall, and measured AHC is rising.

Figure 1.3.2 shows how absolute poverty (AHC) varies for families with children, working-age households without children and pensioners. IFS points out that the previous government's policies helped families with children and pensioner households out of poverty, while doing little for childless households. However, while recent policies have kept pensioner poverty stable, the picture for working-age households (with or without children) is getting worse. Further analysis shows that, since the 2007/08 recession, the rise in poverty has been concentrated in working households, as a result of falls in earned incomes. Absolute poverty before housing costs is highest in Northern Ireland, Yorkshire and The Humber and Wales; after housing costs, London stands out, with absolute poverty almost five percentage points higher than the next highest (Wales). IFS points out that working-age poverty is certain to increase because the government is concentrating its welfare benefit cuts on this age group. Both IFS and the Milburn Review warn that this means government child-poverty targets will be missed, and indeed the Milburn Review predicts 'a decade of rising absolute poverty' to 2020.



Source: Living Standards, Poverty and Inequality in the UK: 2014 (IFS).

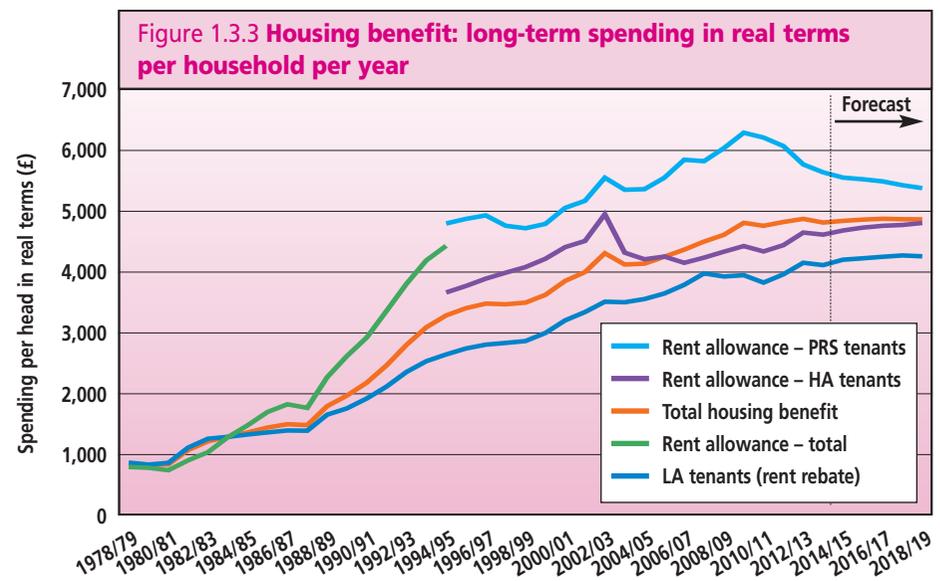
How does this relate to housing? Milburn says 'the effect of high housing costs on living standards must be addressed' because over the period 2010-15 housing costs have pulled extra families with 1.4 million children into relative poverty. He warns of the danger of ignoring housing costs in the policy choices which the next government faces. For example, all major parties have signed up to the overall welfare cap announced in Budget 2014. If the policy response were to include measures to secure higher wages and contain housing costs, this could be compatible with achieving poverty targets; but if it is simply to make further cuts in benefit entitlements, poverty will get worse.

5 How do we provide additional social housing without making rents unaffordable?

Social housing in part provides the safety net for people who cannot afford high private housing costs. In 2012, average weekly social rents were £73 (LAs) and £83 (HA assured rents) compared with £167 for market rents. An average HA assured rent took exactly half the proportion of earnings (13.5 per cent) as the average market rent (27 per cent) (Compendium Table 72). Lower rents are made possible by upfront grant for new housing and by pooling historic costs so that rents for older properties partly cross-subsidise those of newer ones. But policy has shifted towards one of reducing grants, increasing the cross-subsidy from older stock by raising its rents, selling stock at heavily discounted prices through right to buy and setting higher Affordable Rents on new stock. This has led to a real decline in the total stock let at (genuinely affordable) social rents, by about 36,000 over the two years to April 2014 for housing associations and some 27,000 for local authorities (i.e. 63,000 in total). At the same time the proportion of new tenants who are in work is only slightly higher for Affordable Rent lettings than it is for those at social rents.

We argued above that only if social landlords make a significant contribution can new supply increase to 200,000 or more units per year. However, if all or most of this new supply is no longer at social rents, then we will have fallen into the policy trap noted in the Milburn Review: increasing the number and size of benefits claims just when benefits expenditure is being capped and entitlements reduced. Instead of social housing rescuing people from poverty, it could drag more households into it.

The OBR has shown that recent increases in housing benefit spending have been driven more strongly by increased rents than by increased caseload, and that social sector rents eligible for HB have risen faster than those in the private sector. From 2007/08 to 2013/14 the average award increased twice as fast in the social sector (by 22 per cent, compared with 11 per cent in the private sector). The OBR forecast for 2013/14-2018/19 is a five per cent increase in the private sector but 14 per cent in the social sector.²³ The forecasts are subject to caveats, and previously have often underestimated future expenditure, but they signal the dangers of rent increases driven by the switch to Affordable Rents and by housing associations maximising their surpluses. Whereas rents eligible for HB were over 30 per cent lower in the social sector than the private in 2007/08, OBR forecast the gap to have halved by 2018/19 to only 15 per cent. This means that housing benefit expenditure will both continue to grow and shift in its composition. However, looking at the picture in terms of average benefit claimed per household in real terms (Figure 1.3.3) shows a more complex picture, in part because of the increasing numbers of working claimants, many of whose rents are only partially met by HB.



Source: Based on DWP benefits outturn and forecast budget 2014.

Coalition policy of financing investment through higher rents and lower grants is set to continue in the next Affordable Homes Programme (see Commentary Chapter 4). Combined with further welfare cuts, this creates the trap about which Milburn warns. For Labour, the Lyons Review recognised the distorted priorities behind ever-growing benefit expenditure and declining investment levels. Although it 'strongly supported' the case for shifting spending from 'benefits to bricks' (most recently set out by IPPR²⁴), it did not go on to address the issue in detail. Currently, Savills are undertaking research for JRF on the concept of a 'Living Rent' which would link rent levels explicitly to typical incomes of those needing social housing. The argument is that by providing more homes at rents low enough that those on low wages can afford to pay them without housing benefit, the growth of the benefits bill can be arrested and – in the long term – savings made. The problem is that, to do this, in the short term subsidy levels must rise, although not necessarily to the levels they reached under the last Labour government.

One partial route to resolving this conundrum is to boost local authority investment, since councils are building with much lower reliance on grant and half their currently planned new output is at social rents.²⁵ The *Review* has regularly argued the case for doing this by changing the rules about local authority borrowing. The government specifically excluded this from the terms of the recent Elphicke Review into the role of local authorities in housing supply. Lyons made the case for changes in borrowing rules and called for a review of 'options that would allow councils to borrow for housing investment in line with the requirements of the prudential borrowing code'.

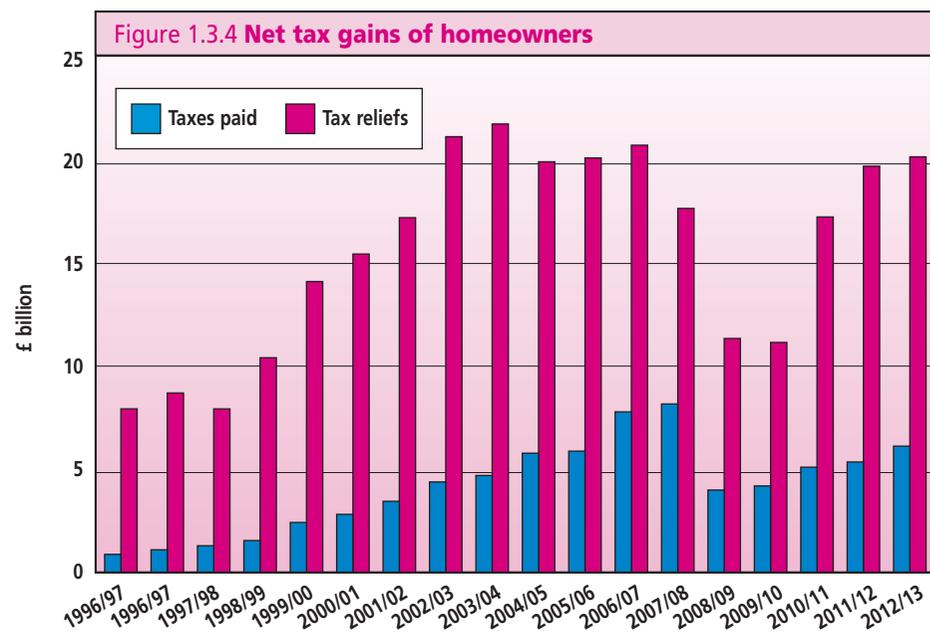
A further option would be to 'converge' the current levels of social and Affordable Rents. This could remove the inequity of social sector tenants facing substantially different rent levels for similar dwellings, and moderate the much higher Affordable Rents without necessarily requiring any great increase in subsidy levels for new developments.

6 Can the tax and regulatory systems help create a more equitable housing market?

The *Review* has consistently reported on the combined impact which taxes and the regulatory systems have on the housing market, whether the intended effects are to

aid first-time buyers, restrain house-price rises or tap into housing asset wealth, or whether indeed there have been less overt outcomes such as the favouring of existing homeowners compared with new buyers. This reporting has underlined the extent to which the tax/regulatory arrangements are a patchwork that has grown over time, in which individual components may have a specific purpose but the system as a whole does not.

This means there are multiple unresolved issues and distortions inherent in a system dogged by piecemeal reform. Labour's advocacy of a completely new tax on property values, the 'mansion tax', has at least brought these partly into the open. It highlights the relatively favourable treatment of more expensive property that results from the non-progressive council tax system, capital gains tax (CGT) relief on a main dwelling and absence of tax on a dwelling's rental value, all of which favour owners over renters and existing (especially longstanding) owners over first-time buyers (see Figure 1.3.4).



Source: UKHR Table 2.6.1 (for explanation see the notes to that table).

Any mansion tax, if introduced, should exert modest downward pressure on the highest (above £2 million) house prices, but will of course still leave in place a range of tax anomalies. Lib Dem policy would instead add new council tax bands. An alternative way forward, identified by the Independent Commission on Local Government Finance, is local discretion over tax bands and rates so as to allow council tax to be a bigger contributor to local authority income.²⁶ Advocates of wider reform have called for a combination of a more progressive council tax, restructured stamp duty land tax (SDLT) and/or linked reform of CGT and inheritance tax.²⁷ A new land value tax, which already exists in the USA and has been introduced in Ireland, is put forward as a more wide-ranging reform.²⁸ Ensuring that the proceeds of any new taxes on house or land values are recycled into affordable housing would be more comprehensive still (and this is explicitly *not* the purpose of Labour's scheme).

The restructuring of SDLT introduced by the 2014 Autumn Statement will remove the anomalies in the old stamp duty structure, and levy a higher charge for very expensive properties, but in overall terms it will reduce the tax yield by £760 million in its first full year. In contrast, Scotland's new land and buildings transaction tax, due to be introduced in April 2016, while also removing the anomalies will increase the tax yield for all but the lowest value dwellings. These measures are discussed in more detail in Commentary Chapter 6.

A further test of the tax system is whether it encourages housebuilding. There is often a balance to be struck here: for example, incentives to make development cheaper might undermine other goals such as putting the necessary infrastructure in place or securing affordable housing as part of new development. Recent measures to incentivise development post-recession have been criticised on these grounds by Lyons, who called for reviews of both the Community Infrastructure Levy and planning gain (section 106) to ensure they capture sufficient value for these purposes. The coalition introduced the New Homes Bonus as an incentive to councils to promote development, but it has been criticised as having an unreliable and difficult-to-measure impact.²⁹ Labour is proposing a 'use it or lose it' tax on sites with planning permission undeveloped after five years but this has been criticised by Barker and was earlier rejected by the Office of Fair Trading.³⁰

Another test of taxation is its fairness between owners and renters, especially in a situation where private renting is growing. The *Review* has demonstrated how the tax and regulatory systems combine to make it easier for buy to let landlords to acquire property than it is for potential first-time buyers to do the same, so that more of the latter are obliged to rent from the former. Separately, new build is favoured by being zero-rated for VAT whereas equally desirable house renovation is not, and there are only limited tax incentives for landlords to upgrade their properties.

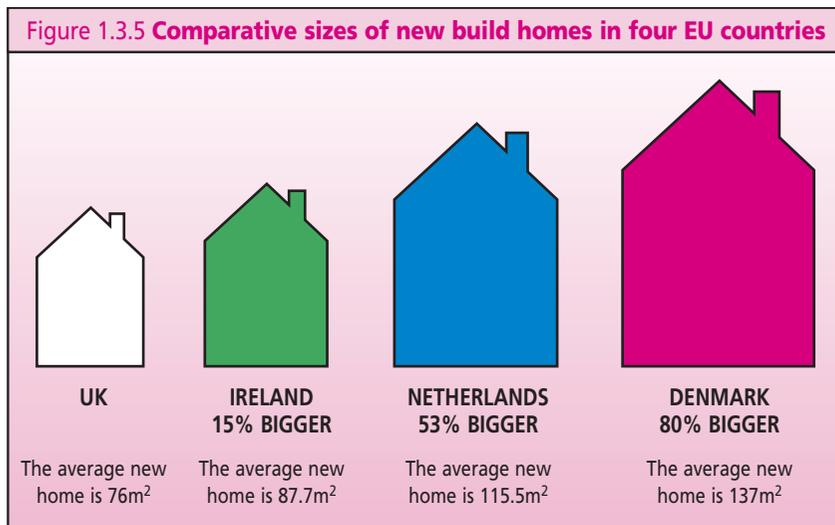
It is an irony that while government has embarked on overall reform of welfare, its tax reforms have been directed primarily at reducing the tax burden rather than (for example) facilitating a more equitable housing market. An example of the contrast is the way that welfare reform has targeted under-occupation of property in the rented sectors by tenants on benefits, but in the owner-occupied sector there are few tax or other disincentives to over-consumption (whether in size or number of properties) even though the problem is far greater. The council tax discount for single occupants of a house even gives a perverse incentive to under-occupation.

As the *Review* has recognised, property taxes and reliefs are politically sensitive and the prospects for reform are slim. Housing did feature in the overall 2011 Mirrlees Review of taxation;³¹ but there is still a gap in linking tax to other aspects of the housing system, and of course even more so in actually bringing forward proposals for comprehensive reform.

7 How do we raise the standards of new housing?

Alongside the issue of the quantity of new homes need, there is a related issue of quality. UK housing is among the worst in Europe in terms of space standards, both for the existing stock and for new homes (see Figure 1.3.5 on the latter).

While Scotland has minimum space standards which begin to address this in new homes, England is adopting a model standard that will apply only where local authorities include it in local plans: it will take years to roll out and coverage will only be partial when it does.



Source: www.withoutspaceandlight.com

Related to this is the issue of accessibility. Well over half of the projected population growth to 2021 will come from households headed by people aged over 65, and a further fifth from those aged 55-64.³² Wheelchair users currently face an average six-year wait for adapted accommodation.³³ The ageing of the population means more homes must be accessible to disabled people and others with limited mobility. Current requirements for new homes are set in the Building Regulations: they must be 'visitible', but this falls short either of the widely recognised Lifetime Homes Standard or the higher 'wheelchair standard'. The voluntary 'HAPPI' standard, which some providers are adopting, recognises that to be attractive to older people houses must provide high standards in many different respects, including but not restricted to accessibility, space and energy efficiency.³⁴

Energy efficiency standards in new homes will be strengthened by the incorporation of 'zero carbon' requirements in the Building Regulations from 2016. However, the Code for Sustainable Homes, which requires wider sustainability in the supply chain, is to be abolished. A quarter of new homes completed currently fall into category 'C' or below in their energy efficiency rating; to date only a small proportion are 'zero carbon'.

The government has carried out a comprehensive review of housing standards which has encouraged the industry to address the issue seriously. However, its original intentions of tackling the small size and minimal standards of new homes have been compromised by the governments' more urgent desire to cut red tape. The outcome is therefore that the review leaves a sizeable gap between the standards for future housing that many bodies want to establish, and those that will, gradually, be achieved. Nevertheless, the review accumulated evidence and sifted options which could be readily revisited by the next government.

8 Can we address the problems of an ageing housing stock?

The UK's housing stock is ageing: about 40 per cent was built before 1945, one of the highest proportions in Europe. Nearly a quarter of houses in England still fail to meet the Decent Homes Standard (DHS). The private rented sector is proportionately the worst performer, with one-third of the sector non-decent, but numerically far more non-compliant homes remain in the owner-occupied sector. The DHS is also increasingly dated, with both the Welsh and Scottish Housing Quality Standards being set at higher levels.

With the reduction, and in many areas the disappearance, of housing renewal programmes and the demise of area-based schemes such as the Housing Market Renewal Pathfinders, most of the older stock must now be renovated by its owners without any direct public subsidy. Replacement of older stock is now largely confined to social sector regeneration schemes, of which there are several in London, but in many cases they will result in new homes at higher cost that may not meet the needs of many former occupants. Many owners of older homes may be able to release spare equity to finance improvements, but in many parts of northern England the prevalence and condition of the older stock, and lower house prices, make this much more problematic. In addition, the proportion of pre-1945 homes is highest in the PRS (47 per cent) yet this is the sector where incentives to improvement are lowest.

In the last decade, concern about stock condition has focussed more specifically on energy efficiency. This is because of the crucial role which the domestic sector plays (producing more than a quarter of UK carbon emissions), and partly because

to achieve carbon reduction targets a massive improvement in energy efficiency will be needed. While few properties are now in the worst categories of energy efficiency, only 18 per cent are so far in the two highest categories. The government's flagship programme, the Green Deal, aimed at achieving 'near zero' carbon emissions from housing by 2050, has so far led to over 300,000 households doing assessments but less than 2,000 carrying out the work. And in December last year, the government cut back on the obligations imposed on energy companies to fund energy efficiency work. Yet to achieve the 2050 target, a programme will be need to retrofit 600,000 homes to high standards annually. The UK Green Building Council has called for an infrastructure fund that would start at half a million high-standard retrofits per year, end fuel poverty and get all houses up to at least grade 'C' by 2025.³⁵

It is clear that there is a widening gap between public commitments (set out in the Climate Change Act 2008) and performance. The ambitious targets can only be achieved through well-organised and large-scale government programmes designed to effectively engage private sector homeowners. But this is difficult to square with reliance on energy company obligations which have an effect (albeit disputed) on energy prices. Treating energy efficiency as a national infrastructure project helps to raise its status but does not in itself resolve the issue of how a programme is to be funded.

Where stock condition and energy efficiency come together is in recognising that comprehensive programmes of work are required. For example, many of England's six million terrace houses will need external wall insulation, which may require reroofing and other associated improvements. Given that any available public resources are likely to be prioritised for new build, how will sufficient private investment in older housing be encouraged and how can this be combined with a massive programme to raise energy-efficiency standards?

9 How do we stop people falling out of the system into homelessness and destitution?

The *Review* reports annually on patterns of homelessness and destitution. It tracked the improvement in statutory homelessness levels in England from 2003-2010, but with a varied performance and rising trend since then. It also contrasts

this with Scotland's approach, where the 'priority need' test has been abolished, albeit that it relies on a continuing higher supply of social housing.

In England, especially in high pressure areas, dealing with statutory homelessness is increasingly outsourced to the private sector, whether through use of temporary accommodation in the sector (including B&B accommodation), or referrals either to discharge the homelessness duty or in lieu of exercising it (see Commentary Chapter 5). The effect is that larger numbers of low-income and often vulnerable tenants are in the PRS, often in parts of the sector where conditions and management standards are poor, and inevitably with much less security of tenure. Especially in areas with high rents, insecurity is compounded by restrictions on benefits, particularly those on levels of local housing allowance.

While for families the outcome may be extended periods in temporary accommodation (in the worst cases, with families living in only one room), for childless households the outcome might be rough sleeping. For those with unclear immigration status and no recourse to public funds, this may mean complete destitution. Evidence of rough sleeping and destitution is intrinsically difficult to obtain, but both are growing (see Commentary Chapter 5).

Added to problems of shortage of accommodation are those which prevent people who have accommodation from continuing to pay for it. In this respect, welfare reform, and particularly the overall benefit cap, the 'bedroom tax', the wider coverage of the shared accommodation rate and the increasing use of benefit sanctions, are undoubtedly part of the reason for the increased levels of landlord repossessions (see Contemporary Issues Chapter 1). Symptomatic of these problems is the rapid growth of food banks, highlighted most strongly by the all-party report *Feeding Britain*.³⁶ In effect the changes to the benefit system have created relatively new categories of homelessness and destitution: those forced out of accommodation because of rent arrears which lead to repossessions, and those who manage to maintain their accommodation only by becoming 'destitute at home', unable to eat properly or pay their bills.

The challenge these issues create for the housing system is significant and not confined to the UK. Countries such as Sweden and France have created 'ambulance

service' housing sectors outside their general social housing sectors, which offer worse conditions and less security than social housing but can be accessed by those with no or restricted eligibility. In England, both demand pressures and supply constraints are restricting the availability of social housing in such cases. Emergency accommodation is often 'silted up' with households who want to move on to permanent accommodation but cannot. While more cases are referred to the private sector, there are increasing if unquantified reports of landlords denying lettings to benefit recipients or, in some cases, evicting them. This is beginning to show up in falling numbers of housing benefit claimants in the sector (see Contemporary Issues Chapter 1). The effect is to force an unknown proportion of households into very poor quality private sector lettings including, at the extreme, 'beds in sheds' and similar illegal accommodations. In turn, this is bound to generate extra costs for enforcement, and dealing with the health and educational issues arising from poor housing (London Fire Brigade has dealt with 438 fires in illegal structures in five years, with 82 victims of deaths or serious injury).³⁷

10 Can we develop a long-term housing strategy?

The crisis summarised here is widely recognised. The Confederation of British Industry argues that housing 'is not just a social priority – it is a key business issue'.³⁸ It is clear that, while insufficient supply of new housing is a very important element of the crisis, it is by no means the only one. Furthermore, because solutions require action in different policy areas, they also call for concerted action by different government departments and a wide range of outside agencies. Actions will need to be co-ordinated and sustained over at least a decade if they are to have the required effects: in other words, a comprehensive housing strategy is required.

It can be questioned whether recent governments have ever had such a comprehensive strategy. One reason is political change, illustrated by the list of 35 different Ministers of Housing (or their equivalents) in the 70 years since Aneurin Bevan took on this role (see Figure 1.3.6). It is noteworthy that even in 1945 there was criticism that housing was combined with other duties and it was not given a separate cabinet post. Nevertheless, Bevan's ministry delivered over one million homes and Harold Macmillan, his successor, eventually met a target of 300,000

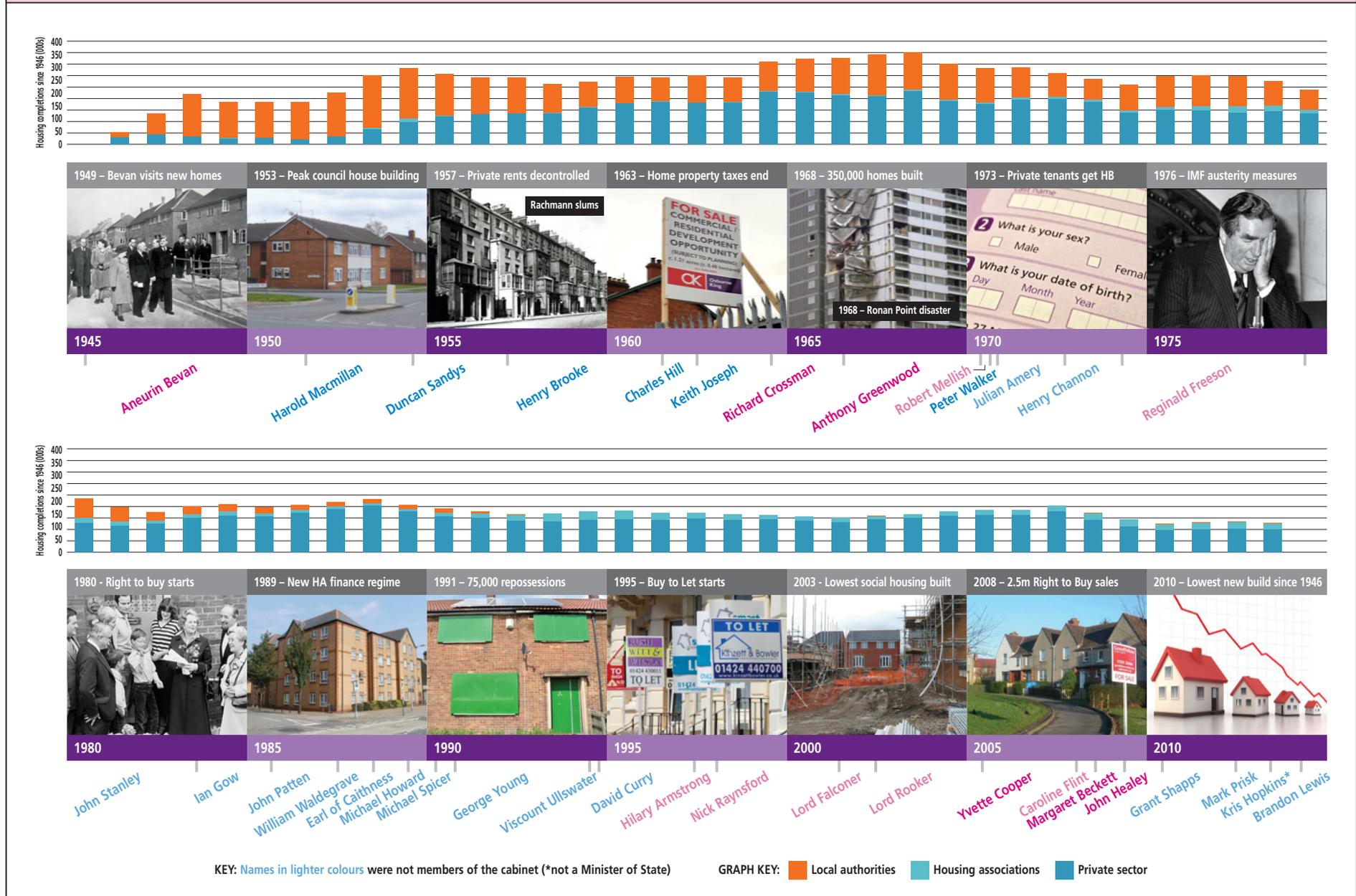
homes per year. The subsequent achievement of even higher output, however, came via a subsidy for tower blocks that seems to have been almost accidental in its origins.³⁹

Perhaps the nearest to a comprehensive strategy in recent years was the April 2000 green paper *Quality and Choice: A decent home for all* (examined in the 2000/01 edition of the *Review*). Further overall policies came in 2007 and 2011: *Homes for the Future: More affordable, more sustainable* set an output target of 240,000 units which was almost achieved that year but was then derailed by the economic crisis; *Laying the Foundations* in 2011 did not set a target or a real strategy, and policy since then has been characterised by a series of ad hoc initiatives.

What are the prospects for a comprehensive strategy after 2015? The coalition has published the Elphicke Review, but its scope is limited to the role of local authorities. Labour's Lyons Review has been much more ambitious, but can be criticised for avoiding two of the key issues highlighted here, the overall need for increased public investment and the crucial problem of squaring investment needs with policy on rents, benefits and incomes. The gap has also widened between housing and other strategic issues such as welfare reform and regional development, both of which should be aligned with housing policy. Nevertheless, possibly the scale of the crisis in housing supply, the changed context of declining levels of homeownership and, at the other end of the scale, the increasingly obvious links between poverty and the housing system, may combine to make the need for a comprehensive plan ever more obvious.

Clearly, setting an overall target alone will not deliver the urgently needed step-change in supply. It will be necessary to decide both the broad make-up of the target by sector and by type of output, and put in place specific and realistic incentives for each of the component contributions. This was something that was done by both Bevan and then Macmillan as housing ministers, even if the mix of sectors and subsidy changed. In this sense the cross-party consensus on the scale of the problem and the need for concerted government action, which characterised the nine years from 1945-54 when the housing ministry changed hands only once, may still have lessons 60 years later.

Figure 1.3.6 Roll-call of post-war housing ministers



Source: Authors' investigations with assistance from the two parliamentary libraries.

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