Section 1 Contemporary issues

Chapter 1

Thirty years of housing policy in the UK: The big picture

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Introduction

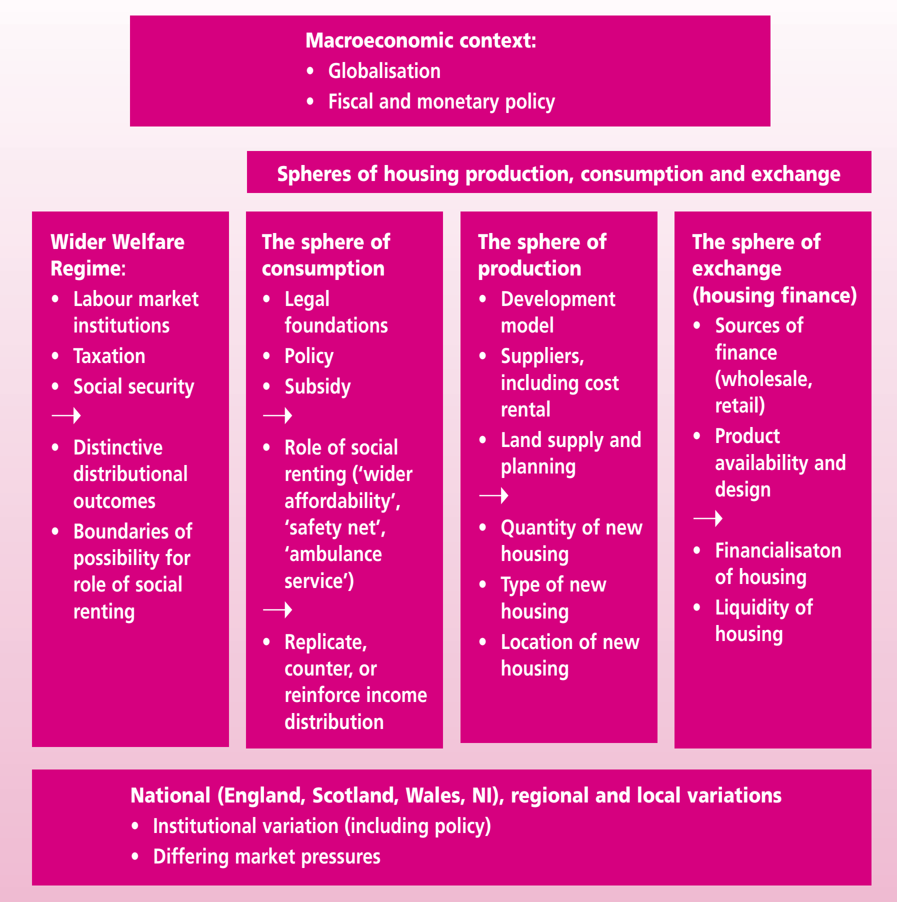
It is three decades since the *UK Housing Review* first appeared (as the *UK Housing Finance Review*). Five years ago, Steve Wilcox, the founder of the *Review*, reflected on its first quarter century. 'The *Review's* primary purpose,' he wrote, 'has always been to try to make the statistics on the housing market and housing policy, and their wider context more readily accessible and understandable for a wide public...'[1] He highlighted the right to buy, changes in social housing finance, and the way in which the UK's unusually restrictive public expenditure conventions continued to limit investment in housing.

This anniversary edition provides another opportunity to reflect on the changes in the UK's housing system over this period, and briefly to consider what this tells us about the future. Here I have taken the opportunity to take a step back and to examine how housing policy operates, involving complex interactions not only between different parts of the housing system, but between the housing system and broader institutions. It is striking how rarely government seeks to understand housing in this way – to see the big picture. There are perhaps only two examples in five decades. The Labour government in the 1970s conducted its multi-volume review of housing policy, which was published as a green paper in 1977.[2] In 2005, the Office for the Deputy Prime Minister published another multi-volume study, an evaluation of English housing policy, which I had the good fortune to lead. It produced an overview based upon five themed reports and supported by a chronology and statistical analysis compiled by the late Alan Holmans.[3]

To help make sense of the 'big picture' now, this chapter examines housing system change in a structured way, adopting a framework that developed from my comparative studies of international housing systems (see Figure 1.1.1).

The framework emphasises the context in which housing systems operate. It identifies macro-level drivers which include the development of a more globalised world economy, and changes in the ways in which monetary and fiscal policy operates. It also considers the role of labour market institutions, and the redistribution of income that takes place through the tax and social security system. Income levels and income distribution (including poverty rates) play vital roles in households' (relative) purchasing power in the housing market.

Figure 1.1.1 **A framework for examining housing systems**



Source: Author.

The housing system itself is considered through three 'spheres': of housing consumption, housing production (or supply), and exchange (or finance). The sphere of housing consumption includes the legal foundations of property ownership and tenure, taxes and subsidies that affect housing consumption, and the role of social rented and other affordable housing. The sphere of production encompasses questions of land supply and land use planning, different providers of new housing and development models used by the housing construction industry. The sphere of exchange refers to the nature and role of housing finance: its sources, providers, products, regulation, and the way in which it impacts on the liquidity of housing.

The framework also allows for geographical variation in housing systems. We can distinguish between institutional, including policy, variations and those variations that arise from differing market pressures. Institutional variations have become more pronounced especially since the establishment of parliaments and assemblies in Scotland, Wales and Northern Ireland. Market pressures, arising from diverse demographic and labour market circumstances, mean that housing systems may operate in different ways even within the same institutional framework.

The macro-level context

When the *Review* was first published, the UK and other advanced economies were still transitioning from a relatively high-inflation and nominal interest-rate environment to one where consumer-price inflation was subdued, nominal interest rates came down, and a period of steady economic growth ensued until the credit crunch in 2007 and global financial crisis in 2008.

These changes reflected structural change in the world economy, which broadly can be identified as being part of the globalisation process: the reduction in trade barriers between the emerging trade blocs, the much greater mobility of finance assisted by technological development, and to an extent the greater freedom of movement of people. Globalisation was exemplified by the integration of China into the world economy with the country becoming a full member of the World Trade Organisation in 2001. The rapid urbanisation of China facilitated a relative shift in manufacturing to China (and other south-east Asian countries) whose economic model was based on cheap labour facilitating export-driven growth. High savings rates in China also helped to facilitate an abundant supply of finance which helped to drive debt in the West, and to integrate financial systems across the world.

Economic management in the West followed a consensus that demanded relatively passive fiscal policies (and deficit constraint) as greater emphasis was placed on monetary policy. Fiscal ‘constraint’ in times of steady economic growth nonetheless allowed steady increases in public spending. Reflecting a near consensus among economists, operational independence was granted to central banks where it did not already exist, with the German Bundesbank held to be an exemplar.

Greater emphasis was placed on maintaining growth and employment in the parameters set for the US Federal Reserve and the UK’s Monetary Policy Committee of the Bank of England (granted independence in 1997) than for the European Central Bank (established to manage the euro in 1998). Nonetheless, the underlying assumption in the West was that removing politicians from responsibility for day-to-day decisions on interest rates would better allow technocrats to target inflation without heed to the political consequences of increasing electors’ (mortgage) interest rates.

This model of economic management remained unchallenged until the global financial crisis (GFC). Governments initially responded to the crisis with a fiscal expansion, co-ordinated internationally to prevent a full-scale slump. However, they then shifted towards consolidation after Ireland, Greece, Spain and Portugal experienced sovereign-debt crises – when the markets became reluctant to lend to these countries’ governments at affordable interest rates. The countries experienced enforced austerity as a consequence of agreements with the IMF, European Commission and European Central bank.. The UK’s Coalition government, formed in 2010, chose to adopt a policy of fiscal austerity which dominated the following decade, citing the prospect of a sovereign debt crisis should it not provide a clear signal to the markets that it was serious about cutting the deficit.

In the circumstances of the GFC and beyond, the notion that the job of a central bank was an essentially technocratic one of adjusting interest rates to meet inflation targets proved to be unsustainable. Central banks cut interest rates to boost demand during the GFC, but subsequently found that the recovery was so weak that they had to be maintained at historically low levels.

Further, such was the extent of the GFC that central banks, having all but exhausted the potential for reducing interest rates, adopted unconventional forms of monetary policy, notably quantitative easing (QE). QE involves the creation of electronic money by central banks with which they purchase private or government bonds, with the intention that this frees up capital on the banks' balance sheets and incentivises them to lend to the private sector. A consequence of QE – acknowledged by central banks – is that it tends to inflate asset prices (including property). Amid sluggish economic growth after 2010, house prices (at least in globally connected cities such as London) tended to rise strongly, reigniting debates about whether central banks should target asset prices in addition to consumer prices.

The advent of the Covid-19 pandemic caused unprecedented – if temporary – economic contractions as economies were locked down in 2020. This necessitated equally dramatic expansions in government expenditure. QE programmes were reinvigorated and aimed principally at purchasing government bonds, in effect to finance budget deficits. This meant that the boundary between monetary and fiscal policy had become somewhat hazy at least, or even had broken down altogether. A lasting impact of the pandemic will be to reconfigure again the role of central banks in macroeconomic management. Whilst the immediate focus is already on the possible role of monetary policy in contributing to the re-emergence of consumer price inflation (as monetarists argue it must), these debates surely cannot avoid the management of property prices, which again have been inflated by the policies adopted to counter the economic impacts of the pandemic.

The wider welfare regime

Many of the Thatcher-era reforms to the labour market had been intended to make it more flexible by weakening the power of the trade unions and insisting that much of the public sector adopt practices such as contracting out. This approach was part of a broader shift in economic management away from government seeking to maintain demand for labour, and instead making labour supply more adaptive to demand by placing more responsibility on individual workers to find jobs.

Although unemployment rose again in the recession of the early 1990s, thereafter it fell to levels that many economists had assumed would never be attained again in the post-Keynesian era. An impact of the changing labour market in the 1980s had been a rise in part-time, often female employment, whilst full-time male employment declined. In the 1990s there was much concern about the labour market becoming polarised between 'work-rich' two-earner households, and 'work-poor' no-earner households. Further, whilst employment levels rose overall, wage inequality also increased. Whilst the labour market appeared to be remarkably robust in response to the GFC in the sense that unemployment did not rise by as much as expected, this masked a good deal of self-employed work, underemployment and a growth in casualised work, such as zero-hour contracts. Politicians continued to promote employment as being the best route out of poverty, but as numbers of low-wage jobs grew, most people who live in poverty now live in a household where someone is in work. The decade after the GFC was marked by high levels of employment, but weak productivity (for reasons that are not fully understood) and low earnings growth.

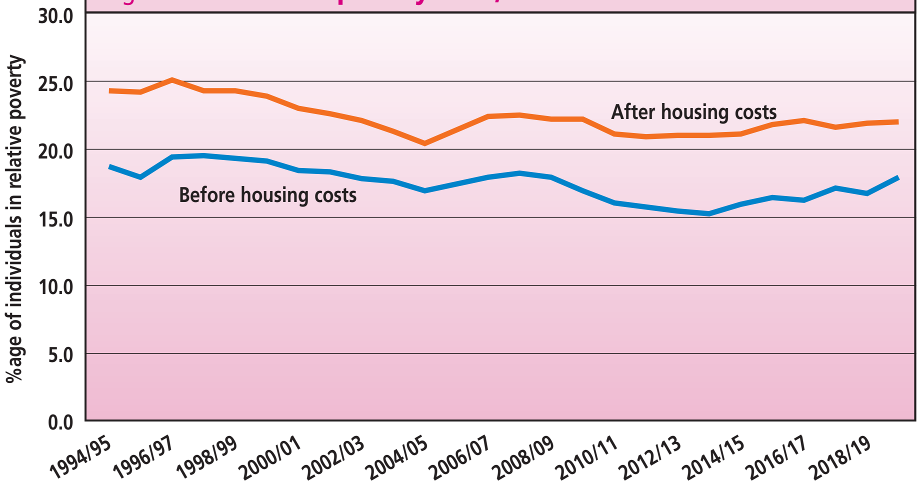
The social security system had been reformed a few years before the *Review* first appeared. In 1988 reforms to means-tested benefits were introduced which effectively aligned the poorly co-ordinated set of benefits aimed at assisting low-income households with their housing costs (housing benefit) and low-wage families with children (family income supplement which became family credit) with the baseline safety-net benefit (income support). The Labour government (1997-2010) subsequently developed a system of means-tested tax credits that redistributed income first to households in low-paid work with children and later to all qualifying people in low-paid employment as part of its strategy to 'make work pay'. They were further used to increase support to people with children (regardless of employment status) as part of a strategy to reduce child poverty. Pensioner poverty was reduced by the introduction of a much more generous system of means-tested support (now known as pension credit). The principal groups that were not supported so generously were working age single people and childless couples, particularly those aged under 25.

The Coalition government (2010-15) in turn put in place a new system, which is intended to simplify the benefits system by replacing six benefits for working-age households with a single universal credit. Whilst there was much support for such administrative simplification, it was combined with the policy of fiscal austerity. A series of cuts substantially weakened the safety-net aspect of the social security system for those of working age. While the government pledged to protect pensioners, these cuts were directed at households with children, households in lower-paid work with or without children, people with disabilities, and households with relatively high housing costs. The benefits cap and two-child limit in particular affected households with larger families and with higher housing costs, initially disproportionately in London but thereafter across the country (cuts to housing assistance are discussed in more detail below). A more punitive system of sanctions was also established, which fell disproportionately on younger people already disadvantaged by entitlement to lower rates of unemployment-related benefits.

A freeze on the cash value of most working-age benefits between 2016 and 2020 squeezed incomes further. In contrast until 2022, pensioners were fully protected through the 'triple lock' and indeed many benefited from the introduction of a more generous state-pension system that has reduced reliance on means-tested pension credit.

The result has been that poverty has remained relatively high since the 1980s. Some reductions in poverty were achieved, notably among households with children and among pensioner households, but these have now halted or in the case of households with children have reversed since 2015. Indeed, as the safety net has been weakened – and with more gaps appearing in it – the growth in destitution has been reflected in the growth in voluntary-sector food banks.

Figure 1.1.2 **Relative poverty rates, 1994-2020**



Source: DWP, Households below average income.

Housing consumption

When the *Review* was first published, the UK was developing a tenure system with each tenure performing distinctive (if overlapping) roles. The twentieth century had experienced the growth of owner-occupation and social rented housing (overwhelmingly in the form of council and some other forms of public housing, notably new town corporations). The once-dominant private rented sector gradually shrank due to a range of factors which included compulsory purchase for demolition in slum-clearance programmes, and sales to tenants and others as rent controls made renting an increasingly unattractive proposition for investors.

There have been two principal shifts in tenure and its nature during the lifetime of the *Review*. First, the shift from social renting to owner-occupation has continued across the UK for most of the period. The right to buy policy continued to lead to the transfer of dwellings into owner-occupation. Although the policy has now been ended in Scotland and Wales, it was 'reinvigorated' in England by the Coalition where it continues to diminish the stock of social dwellings (see Contemporary Issues Chapter 4).

Along with the low level of new supply, the social rented sector has increasingly assumed the role of a 'safety net' – being targeted on those most in need including those rehoused under local authorities' duties towards homeless households.[4] The rise in poverty in the 1980s also contributed to the creation of this safety net sector, with the housing benefit system becoming an integral part of this by protecting post-rent incomes of most social tenants.

The safety-net role of social rented housing has been maintained in Scotland, Wales and Northern Ireland. However, in England it has been challenged partly because of greater pressures, especially in high-demand areas such as London, and because it was questioned by the Coalition (which introduced the 'Affordable Rent' system) and David Cameron's short-lived majority Conservative government (2015-16). It was during this period that contentious legislation was put in place to ensure social housing was targeted at those most in need through the 'pay to stay' policy for better-off tenants. There was also greater use of probationary and fixed-term tenancies moving the 'safety net' towards an 'ambulance service' model providing temporary assistance for the neediest. However, the bulk of proposals were abandoned or not implemented,[5] and broadly speaking the safety-net model has been retained, although it is less accessible than in the past.

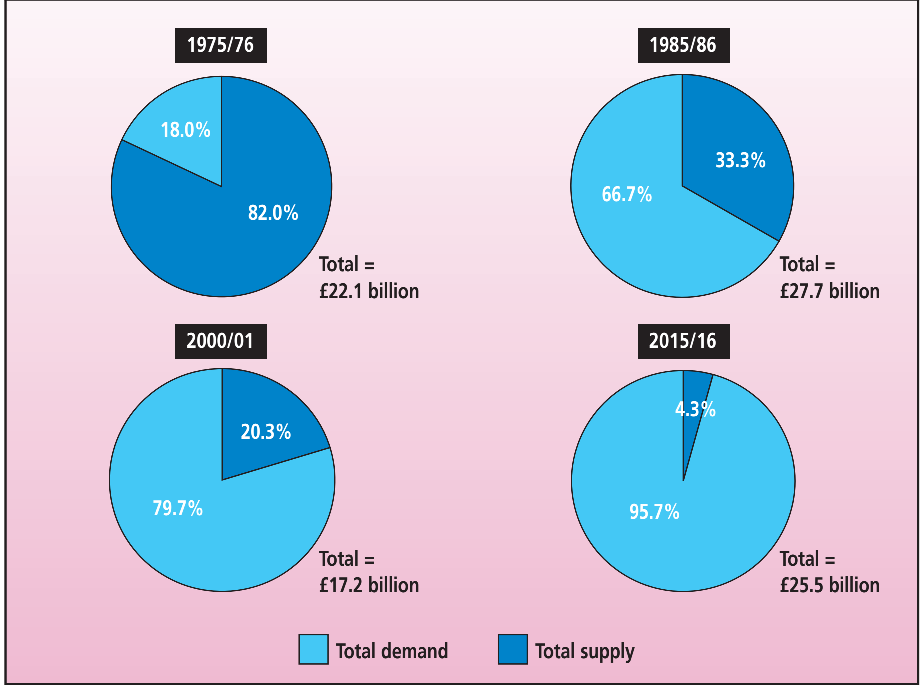
The deregulation of new private sector tenancies in 1988, which in effect ended rent controls and security of tenure, took some time to have full effect. It required a few years before the longevity of the new arrangements could be taken for granted by investors, but the advent of 'buy to let' mortgages after 1996 and (initially at least) the design of the housing benefit system adopted in 1988 allowed it to 'take the strain' of higher rents by compensating tenants on a pound-for-pound basis.

The private rented sector has remained overwhelmingly the preserve of small-scale landlords who were motivated by factors such as increasingly poor returns on savings and declining occupational pension provision. However, as it has grown, the sector has also become more diverse in the tenants that it houses.

Thirty years ago, it could be characterised as being largely the preserve of students and the young and mobile population. This is no longer the case as it houses a broader cross-section of household types, including those with children. Further, as the sector has grown, so too has the cost of housing benefit, which was revamped as local housing allowance (LHA) in 2008. LHA replaced the previous practice of basing entitlement on the contractual rent with a standard figure. Initially this was based on the median rent prevailing in the market area, but later reduced to the 30th percentile, then frozen, restored to the 30th percentile and once again frozen. The expansion of the private rented sector has contributed to declining affordability of housing for working-age households, as it is typically more expensive than social renting and often, over time, more costly than homeownership.

The effect of higher rents in both social and private sectors, the shift in tenure towards private renting, and the reduction in 'supply-side' subsidies for social landlords is reflected dramatically in Figure 1.1.3 which illustrates the inexorable shift in the pattern of housing subsidies since the mid-1970s. In 1975/76 more than 80 per cent of housing subsidies were directed at the supply side; by 2015/16 more than 95 per cent were demand-side. Beneath this change, the overall real value of subsidy was much the same at the end of the period as at the beginning.

Figure 1.1.3 **Change in balance of government housing subsidies in England, 1975-2016**



Sources: Hills, Ends and Means; UK Housing Review and calculations by Steve Wilcox.
Note: Expenditure totals are at constant 2016/17 prices. Figures cover all tenures but exclude homeowner tax reliefs. The chart is reproduced from the UK Housing Review 2018.

The growth and maturity of the private rented sector have naturally brought about pressure for its reform. The most extensive reforms to date have been in Scotland where the scope for so-called 'no-fault' evictions have been greatly reduced and tenancies made open-ended, and where a 'national system of rent control' is now promised. Wales has also moved down this path while reforms in England have been promised by the government, but have been delayed due to the pandemic (see Contemporary Issues Chapter 2).

In the early 1990s, the owner-occupied sector was experiencing its first significant crisis due to the late 1980s boom turning to bust, producing an upsurge in mortgage arrears and possessions amid falling prices and negative equity. However, the forced exit of the UK from the European Exchange Rate Mechanism in 1992 heralded the beginning of a long period of economic growth facilitated by currency devaluation and the shift towards a lower and stable interest-rate environment (which 'disguised' the phasing out of mortgage interest relief by 2000).

Once the affordability of homeownership was restored in the mid-1990s, its expansion resumed until rising prices began to price out younger households, and the overall rate of homeownership began to fall after 2003. The pricing out of younger households from owner-occupation was one side of an affordability paradox. Whilst many would-be homeowners were priced out of the market, low interest rates made ownership more affordable for those people who could access it. This paradox became still more acute in the aftermath of the GFC: finance became still cheaper, but access to it was restricted for those unable to put down a significant deposit as prudential regulation was implemented (see below). The government's principal response to declining homeownership was to embark on the shared equity scheme known as Help to Buy, although since it was restricted to new properties it was also a major support for housebuilders (also discussed below). The evidence suggests that the scheme (and its counterparts in Wales and Scotland) made a marginal difference to access to homeownership, but primarily enabled households that were in a position to buy without the scheme to purchase more expensive properties.

Housing supply

Over the past 30 years, housing supply has moved to centre-stage of the housing debate. Since the 1970s, it was generally accepted that the 'crude' shortages in housing and the poor quality of much existing housing that had driven the post-war housing programme had largely been tackled. However, the experience of the late 1980s/early 1990s house-price boom and bust began to reawaken concerns that the supply side of the housing market was insufficiently responsive to demand. With house prices once again rising, the Barker review of housing supply published in 2004[6] suggested that large increases in supply were needed to moderate house-price inflation and improve affordability. Fifteen years later, the need to increase housing output remained: Glen Bramley estimated that there existed a backlog of some four million units in England and 4.7 million across Great Britain, suggesting an annual housebuilding rate of 340,000 units in England and 380,000 across Great Britain over a 15-year period.[7]

Housing supply has been in decline since the peak decade of the 1960s, when completions in England averaged 300,000 per year.[8] In the 1990s, it fell to 150,000, and in the 2010s to 108,000 – a huge gap compared to estimated need. The collapse in social-sector housebuilding has been most marked. This peaked in the 1950s at 150,000 completions, but collapsed in the 1980s to less than 50,000 units as a result of policy. In the 2010s, despite a slight revival, it averaged less than 28,000 units. The private sector managed only slightly over 100,000 units a year, although it had been on an upward trajectory (to more than 140,000 units in 2019) following the collapse in output caused by the GFC. Then, of course, Covid-19 struck.

The question as to the failure of private housebuilding to keep up with demand has been asked repeatedly.

The planning system has been 'blamed' by many for the shortfall, in its crudest form the argument being that the system is inherently restrictive in principle and planning applications are overly open to being rejected due to opposition from so-called NIMBYS. This argument sits uneasily with the number of units of planning permission granted consistently outnumbering the units built (something that holds in England, Scotland and Wales, although the gap is proportionately greatest in England). Moreover, in England more than 80 per cent of applications are approved.

The last Labour government, following the Barker review, adopted a system of regional housing targets set by central government. The Coalition abolished these under its 'localism' agenda, before the Conservative government attempted to reintroduce them at the local authority level. However, there has been a retreat from these following a backlash from predominantly Conservative councils in higher-demand areas, and the loss of the Chesham and Amersham by-election in

June 2021.[9] The planned radical reform of planning, switching towards a zoning system[10], has also been put on hold, leading the House of Lords Environment Committee[11] to suggest that policy uncertainty had had a 'chilling effect' on housebuilders. The committee noted that local authority planning departments had been badly affected by cuts after 2010 and that they needed to be more adequately resourced. It also noted that more than half of planning authorities did not have an up-to-date local plan, and called for the government to make clear its long-term strategy for land supply and infrastructure.

The housebuilding industry itself has been criticised for not sustaining higher levels of output. In a mirror image of the crude arguments about planning, insufficient evidence has been found in various inquiries for similarly crude accusations of wholesale land-banking (or hoarding for speculative gain). However, the Letwin Review[12] did suggest that housebuilders adjust (i.e. reduce) build-out rates in order to prevent additional supply depressing prices (and profits). Letwin – like Calcutt[13] before him – sought ways to raise the so-called 'absorption rate' through measures such as encouraging a diversity of builders on single sites. This is linked to the growing concentration of the industry in the largest companies which have incentives to expand the number of sites over which a given number of homes are completed. On the eve of the pandemic the largest housebuilder had a ten per cent market share, the top four a share of more than one-third, and the top ten almost half.[14] With little evidence of economies of scale, the industry has assumed the characteristics of an oligopoly and small- to medium-size builders tend to be reduced in number disproportionately with each boom-and-bust cycle. Labour and skills shortages were cited as being an additional problem by the industry, even before Brexit.

It is surprising that more emphasis was not put on affordable housing supply much sooner. The UK government had sought to limit local authority housebuilding since the 1980s, to promote sales under right to buy, and to extract surpluses from (in particular, English) local authority Housing Revenue Accounts. The attempts to do so, particularly with the introduction of 'negative subsidy' through the withdrawal of central government subsidy for rent rebates from English local authorities in 1989, prompted the first large-scale voluntary transfers of stock to housing associations. From 1988, housing associations had already been adopted as the main suppliers of new social rented housing under a 'new' financial regime based on a smaller (though initially significant) capital grant, topped-up with private borrowing.

Under New Labour, more transfers were encouraged – even among negative-value urban stock – as an incentive for financing badly needed upgrades in the quality of the stock under the Decent Homes programme in England (and equivalents in Wales and Scotland). The shift towards lower interest rates facilitated cuts to the per-unit capital grant. These cuts intensified under the Coalition along with the shift towards (higher) Affordable Rents. Stock transfers and mergers transformed the nature of the social rented sector. Housing associations have moved from being almost peripheral players in 1991 to become the main suppliers of social housing in England and Wales, and very significant players in Scotland.

It is with some irony that one might recall the rationale behind Secretary of State Nicholas Ridley's introduction of the legislation to promote housing associations over local authorities. He noted that many metropolitan local authorities managed 50,000 or more homes, which was 'an enormous administrative and management task' leading to 'tenants feel[ing] like supplicants.'[15] In 2018, two housing associations (Notting Hill and Genesis) merged to create a new landlord with almost 120,000 units under its management.

Beneath this revolution in the organisation of affordable housing, levels of supply were low by historic standards. Local authority housebuilding almost disappeared (only 50 units were completed in England in 1999), and even in the most recent years the revival is modest (the highest output has been 2,690 units in England in 2018). Housing associations in England averaged 23,000 completions each year in the 1990s, 19,000 in the 2000s, rising to 26,000 in the 2010s. The shift away from social rented housing towards both Affordable Rent and intermediate rent, and shared ownership or shared equity is clearly seen in Figure 1.3.3 (see page 37). Indeed at the end of the period, social rent represented fewer than 6,000 units and just 15 per cent of the need identified by Bramley. The situation in the devolved administrations is discussed below.

Housing finance

The UK's housing finance system underwent extensive deregulation in the 1980s, with the result that by the time the *UK Housing Review* was first published, the nature of the housing system had changed radically. Access to mortgage finance had been widened and mortgage lending had risen rapidly, contributing to the house-price boom in the late 1980s. The newly deregulated finance system also made housing as an asset more 'liquid' – through equity withdrawal, increased housing wealth could be turned into cash through re-mortgaging, linking housing wealth to consumption. The resultant rise in inflation prompted the rapid increase in interest rates in 1988, which prompted a fall in house prices, and a dramatic rise of mortgage arrears and possessions.

One of the consequences of the housing slump was a restructuring of the mortgage industry. It was widely believed that the mortgage market had matured and diversification would be necessary. This provided part of the rationale for the de-mutualisation wave of the mid-to-late 1990s: two-thirds of the market was controlled by building societies, but within a few years the situation was reversed, with two-thirds controlled by banks. Whether the shift towards PLC status increased lenders' appetite for risk is still debated, but there followed another expansion of lending, including the emergence of a sub-prime market, and an increased use of mortgage securitisation.

From the mid-1990s, the buy-to-let mortgage market also expanded. When the credit crunch came in August 2007 (when the wholesale markets seized up in response to the US sub-prime crisis), liquidity was the immediate problem for some lenders, notably Northern Rock. When banks' shares collapsed worldwide following the failure of Lehman Brothers in October 2008, the credit crunch became a banking crisis and its effects known as the global financial crisis (GFC). Banking failures within the UK – notably RBS – and elsewhere necessitated huge publicly financed rescues and some nationalisations to prevent the financial system from collapsing.

The GFC had four important impacts on housing finance.[16]

First, it limited access to mortgage finance essentially to those who could put down a sizeable deposit as the government reformed the regulatory framework for the banking system and mortgage lending. Following the Mortgage Market Review, the terms of lending were tightened with, for example, the introduction of affordability tests and stress tests (to assess a borrower's ability to withstand interest-rate rises). Although interest-only mortgages remained permissible, they became rare as affordability tests are based on the cost of capital-and-interest mortgages. Further restrictions on lenders' balance sheets designed to protect the financial system (rather than individual borrowers), limited the proportion of high loan-to-value (LTV) mortgages, with the result that those over 95 per cent almost disappeared. Initially, buy-to-let loans fell outside these restrictions, but have since been brought within them, although the impact in this sector is limited by the smaller number of high LTV mortgages.

Second, it led to an intensification of the low interest-rate environment. In the decade before the GFC, the UK – and the rest of the developed world – had moved towards a lower and more stable interest-rate environment as globalisation reduced inflation. The depth of the recession caused by the GFC prompted central banks to slash interest rates to virtually zero. The era of slow growth that followed the GFC ensured that they stayed there, assisted by the adoption of quantitative easing (QE) by all the main central banks to support lending and the purchase of assets including housing.

Third, although central banks (with a few exceptions such as New Zealand) do not target asset prices,[17] an effect of monetary policy has been to prevent a full price correction, which means that affordability has not been restored as it was after the late 1980s boom. The housing market, which had had the effect of spreading wealth as homeownership grew, became an ever-more powerful engine for inequality, with those households able to put down deposits able to access very cheap finance, whilst those who were unable to do so were locked out of homeownership.

Fourth, in turn this led the government to seek to support homeownership through the Help to Buy (HtB) scheme, dating from 2013.[18] The scheme probably helped to bring about the recent small revival in homeownership (whilst tax changes prompted some contraction in private renting). However, HtB also helped to inflate prices in high-demand areas. It also means that the government has a direct interest in maintaining house prices as it is now itself deeply embedded in the housing market via its equity loans.

Unravelling the combination of high house prices (in relation to incomes) and restricted access to finance, whilst protecting existing owners from sudden or exaggerated corrections, presents perhaps the greatest puzzle of all in housing policy.

Devolution

Over the past 30 years, the UK has moved from being a very centralised state to one where substantial powers have been transferred to elected parliaments and assemblies in Scotland, Wales and Northern Ireland. Administrative decentralisation existed before, but under the control of secretaries of state appointed by the prime minister. The powers that have been devolved have differed between jurisdictions and generally more powers have been devolved to each of them over time. Unsurprisingly, devolution has been a regularly topic of examination in the *Review*, with key Contemporary Issues Chapters in both the 2011/12 and 2016 editions (by Steve Wilcox and this author respectively).

To summarise, each of the devolved administrations now has legislative power over housing and planning. Scotland now has some limited but effective powers over social security. Whilst the Northern Ireland Assembly has legal powers over social security, a legacy of these powers being conferred on the establishment of the Stormont parliament a century ago, the practice has been that the Northern Irish social security system has been almost identical to the rest of the UK, under the 'parity principle' under which the UK government agrees to fund that system to the level pertaining in Great Britain. This leaves the largest financial subsidy to housing (housing benefit and rental support through universal credit) almost entirely centralised by Westminster (the mitigation of the 'bedroom tax' being an exception in Scotland and Northern Ireland).

Local property taxes (e.g. council tax and rebates) are devolved to all three administrations, but stamp duty is devolved only to Wales and Scotland. The broader tax treatment of housing (e.g. capital gains tax, and tax treatment of private rental income and offsets for costs) remains centralised, as does mortgage regulation. Borrowing powers are very limited, and would need to be widened if greater social security powers were to be devolved. The devolved administrations also simply receive 'financial allocations', used to finance Help to Buy, from the UK Budget.

Before devolution, housing policy followed the main trends in England, such as the right to buy, the shift towards housing associations and away from public housing and the reregulation of private renting. During the first decade of devolution, policy – such as the promotion of stock transfers – also moved in step across Great Britain. However, after 2010, when the political outlook of the devolved administrations diverged from the UK government, more differences emerged. These are most pronounced in the continued – and strengthened – support for new social rented housing in the devolved administrations, which have also shown no interest in diluting the model by – for example – toying with the wholesale adoption of fixed-term tenancies or shifting towards Affordable Rents.

In Scotland and Wales, the right to buy has been abolished; in England it has been 'enhanced'. Wales intends to follow Scotland in abolishing the 'priority need' limitation within the statutory homelessness framework. However, the situation is dynamic: Scotland reformed private tenancies in 2017, marking a major divergence in approach. Wales is following, and change has also been promised by the government in England. It now appears that Scotland will introduce some form of rent control. Some commentators also observe that devolved powers have not always been used to their full extent – the failure to replace the council tax in Scotland and Wales being a case in point.

This does not alter the reality that although the devolved administrations have made differences of both material and symbolic importance, they are constrained by limited powers, and indeed the way in which the context of labour markets and income redistribution are largely shaped at the UK level. Taking the long view, the rise in support for forms of self-government in the devolved nations – and perhaps to a lesser extent in the emergence of regional government in parts of England – reflect the change from the British state being seen as the guarantor of minimum social standards towards being a threat to them.

Conclusion: the need for strategic housing policy

The 30-year period over which the *Review* has sought to analyse developments in housing has been a tumultuous one. One thing housing has lacked is a strategic view from a policy perspective. This chapter has sought to highlight the way in which how the housing system operates depends on the relationship between policy, a wide range of institutions, and varying contexts. A single department, such as DLUHC in Whitehall, cannot by itself have the kind of overview that is required to shape policy strategically. In the 30 years of the *Review*, something approaching such an overview occurred only once, during the early 2000s, when the Treasury developed a view of the housing system and commissioned the reviews of planning, housing supply and mortgage finance. The Treasury also grappled with the growing links between housing, housing finance and the economy in its assessment of the UK's preparedness for membership of the European single currency. However, it did not develop a clear idea of the role of social rented housing, or of the distributive aspects to housing policy. The financial crisis caused the Bank of England to take a greater interest in housing, but from the narrow perspective of the stability of the financial system, and – like other central banks – has not got to grips with asset-price inflation. Devolution seemingly complicates the picture further, but really highlights the need for a strategic overview to be accompanied by a considered allocation of powers and resources. We need oversight and a clear understanding among different institutions of the state about their role and how it fits into the big picture.

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4 See Perry, J. & Stephens, M. (2018) 'How the purpose of social housing has changed and is changing', in *UK Housing Review 2018*. Coventry: CIH, pp.29-39.

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8 All figures in this paragraph are from DLUHC Live table 244. See also Commentary Chapter 2.

9 This is not the first time a by-election has made an impact on housing or planning policy. The prospect of losing the Orpington by-election of 1962 led the then government to announce the abolition of the tax on homeowners' imputed rental income. The by-election was lost to the Liberals, but the tax was abolished.

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