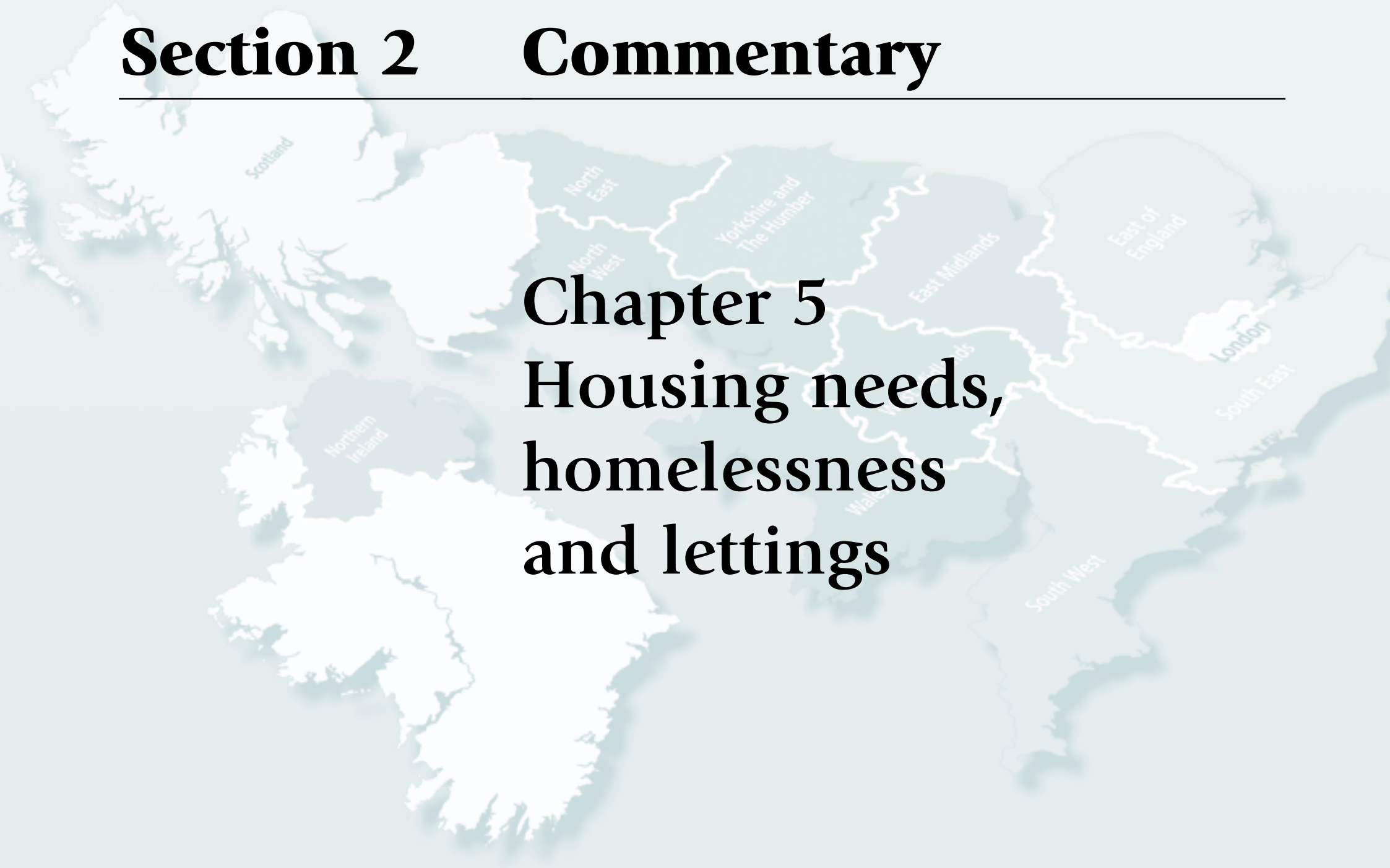
Section 2 Commentary



Chapter 5
Housing needs, homelessness and lettings

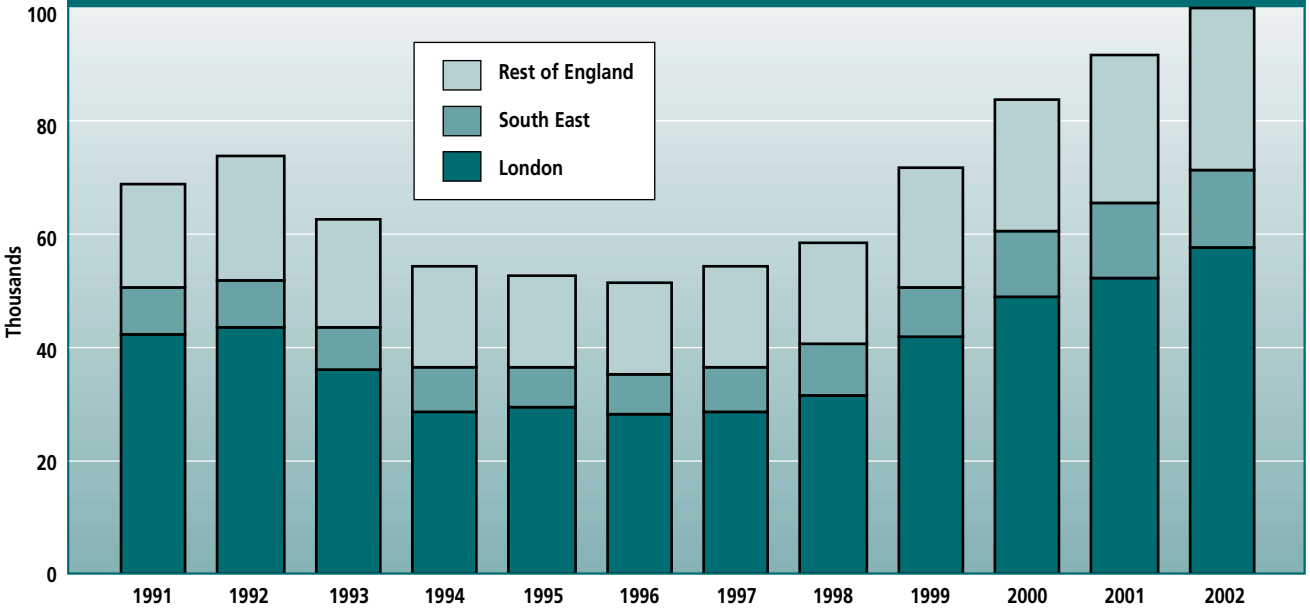
The numbers of homeless households in temporary accommodation rose for the sixth year running in 2002, to only a few hundred shy of 100,000 (Figure 2.5.1). As in previous years the main increase was in London, but there was also a substantial rise in the East (Compendium Table 94b). The only half positive note is that the numbers of households in bed and breakfast rose only slightly during the year, but that still leaves the government a long way away from its target of eliminating the use of bed and breakfast in all but exceptional circumstances.

There was not, however, any rise in the numbers of homeless acceptances in London in 2002; rather there was a slight fall to 31,050 (Compendium Table 94a).

In contrast, the number of local authority lettings available for new tenants in London continued to decline, to under 25,000 in 2001/02 (Compendium Table 97a).

For England as a whole the number of local authority lettings available to new tenants fell below 200,000, and this was only partly offset by a much smaller rise in the number of housing association lettings available to new tenants, to 159,000 (Compendium Table 98). Of these, however, 25,000 were lettings to former council tenants, and these are effectively transfers between the two parts of the social housing sector, rather than lettings to new applicants to the wider sector.

Figure 2.5.1 **Nearly 100,000 homeless households in temporary accommodation**



Note: Includes homeless at home.

The immediate cause of the rise in the numbers of homeless households in temporary accommodation, and the falling number of relets, is clearly the continuing rise in house prices (see Commentary Chapter 3), which have progressively reduced the opportunities for council and RSL tenants to move out into home-ownership, while at the same time making it more difficult for all households with modest incomes to secure private accommodation in the capital. The fall also reflects in part the gradual long-term impact of the Right to Buy in reducing the stock of dwellings that over time give rise to relets (see further discussion in Commentary Chapter 4).

Scotland

It is pleasing to report that homeless statistics are again available for Scotland, following difficulties in collecting data in recent years. It should be noted, however, that the higher level of priority homeless acceptances in Scotland in 2002/03 is largely a result of increased acceptances for single people. This follows the introduction of new legislation on homelessness in Scotland in 2001, ahead of more radical changes to be introduced following further new legislation in 2003. This plans to progressively widen the definition of 'priority need' over the next ten years, leading to the complete abolition of the priority need test altogether in 2012.

Increasing the supply in areas of high housing need

Following several years when investment in new affordable housing languished at historically low levels (Compendium Table 100) the ODPM (and the

Treasury) have belatedly recognised the need to increase the supply. The 'Challenge Fund' administered by the Housing Corporation, in addition to their continuing Approved Development Programme (ADP) will add approvals for some 6,600 dwellings in 2003/04. Of these, however, only just over 2,000 will be for mainstream renting, while some 1,500 will be for 'intermediate' renting. The balance will be for home-ownership initiatives. About half of the output from this programme will be for key workers.

The 'Sustainable Communities' programme announced early this year has also made provision for some £610 million to be invested in the growth areas in the South East of England (including parts of the East region) over a three year period. However, much of that funding will be required for land assembly, remedial work to brownfield land and infrastructure works.

While these boosts to the future supply of affordable housing are very welcome, they will still leave total new supply at around 30,000 new dwellings per year, both lower than the level provided through the Housing Corporation in the early years of the 1990s, and way below the required 80,000 plus per year (Holmans, 2001).

Beyond the South East

The modest boost in the supply of new affordable housing will also be concentrated in London and the broader South East. This political decision, announced in the 'Sustainable Communities' paper earlier this year (ODPM, 2003) effectively puts to one side the statistically based 'Housing Needs Index' that has in recent years been used to determine the regional allocation of Housing Corporation funds.

That decision has been challenged by the analyses in a Rowntree report (Wilcox, 2003), making use of newly available data from the New Earnings Survey, that found that the greatest problems of affordability outside London are in the South West, rather than the South East (see Table 2.5.1). While average house prices in the South West are some way below those in the South East, average household incomes are lower still.

The findings of the Rowntree report are at odds with the analysis set out in the Sustainable Communities paper, and have heightened concerns that the South West will gain no benefits from the planned increases in the supply of affordable housing.

There are a number of reasons why the Rowntree report came to different conclusions to the official ODPM analyses. The ODPM analyses were based on the ratio between local house prices, from the Land Registry, and local earned incomes from the New Earnings Survey, based on place of work.

In contrast, the Rowntree report used local Halifax house price data for four and five room dwellings

Table 2.5.1 **House prices and affordability Quarter 4 2002**

Region	House Prices		Average house price to average income ratio	Households unable to to purchase at lower quartile house prices	
	Lower Quartile	Average			
	£	£		No.	%
London	**169,350**	**221,537**	**4.8**	**644,476**	**76.0**
South West	**100,979**	**124,508**	**4.2**	**350,543**	**67.9**
South East	**124,596**	**152,555**	**4.0**	**564,389**	**63.9**
East	**102,717**	**125,154**	**3.7**	**361,299**	**59.2**
East Midlands	**71,257**	**88,724**	**3.0**	**188,679**	**41.9**
West Midlands	**74,793**	**94,402**	**3.0**	**183,908**	**35.8**
North West	**53,081**	**69,372**	**2.4**	**173,243**	**24.6**
Yorkshire & The Humber	**52,489**	**66,958**	**2.4**	**126,571**	**23.8**
North East	**46,344**	**62,089**	**2.3**	**56,196**	**22.7**
England	**91,925**	**115,181**	**3.4**	**2,649,304**	**49.9**

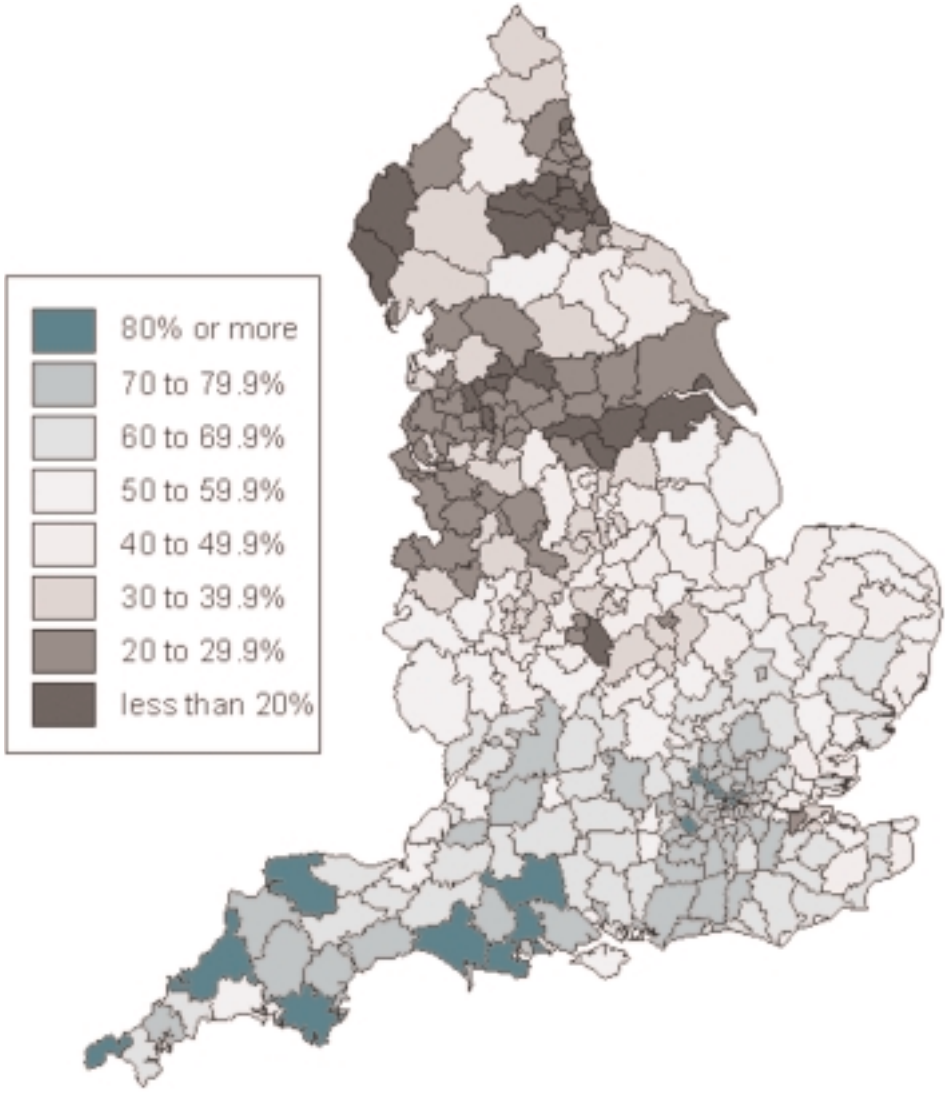
Source: *Can work; Can't buy*, S. Wilcox, Joseph Rowntree Foundation, 2003.

(including kitchens and living rooms). It therefore provides a consistent measure of house prices for a modest size dwelling in each local authority area. The Land Registry data reflects the different mix of property types and sizes in each area, and thus in many areas higher prices will reflect the presence of more larger properties, as much as differences in prices for an equivalent dwelling. In contrast, in central London there is a far higher proportion of smaller dwellings, and consequently Land Registry figures do not show the full extent of the price differentials for an equivalent size dwelling in those areas.

The Rowntree report also used newly available data from the New Earnings Survey based on place of residence, rather than place of work (see Table 2.1.3 on page 40 of the *Review*). The distinction is particularly important for London and the surrounding regions. Essentially, relatively high earning commuters from the South East and East regions make up a large proportion of those working in London. In consequence the place of residence based earnings figures for London are significantly lower than the place of work based figures. Conversely, the place of residence based earnings figures for the South East and the East are markedly higher than the place of work based figures. In contrast, the place of residence based earnings figures for the South West are only marginally higher than the place of work based figures.

Moreover, the analyses in the Rowntree report used the local earnings data to compute average

Figure 2.5.2 **Proportion of working households aged 20 to 29 unable to purchase at lower quartile house prices**



Source: S. Wilcox (2003) *Can work – can't buy*, Joseph Rowntree Foundation

household earnings figures, taking into account regional differences in the distribution of multi-earner households, and the differentials in earnings levels between single and multi-earner households.

The finding of greater affordability in the South West compared to the South East in the Rowntree report arose out of a combination of all those differences in data sources and methodology. The local profiles of relative acuteness of affordability problems for working households are shown in Figure 2.5.2, which highlights the problems in areas such as East Dorset, North Devon and Purbeck, as well as (more predictably) Camden, Islington, Hammersmith and Fulham and Westminster.

References

A. Holmans, *Housing demand and need in England 1996-2016*, National Housing Federation and Town and Country Planning Association, 2001.

ODPM, *Sustainable communities: building for the future*, Office of the Deputy Prime Minister, 2003.

S. Wilcox, *Can work; Can't buy*, Joseph Rowntree Foundation, 2003.

Key Reading

Homeless Statistics, Office of the Deputy Prime Minister.

Investment Bulletin 2003/04, Housing Corporation.

Operation of the homeless persons legislation in Scotland: National and local authority analyses 2002/03, Statistical Bulletin HSG/2003/5, Scottish Executive.

Welsh Housing Statistics 2002, National Assembly for Wales.