2024 UK HOUSING REVIEW

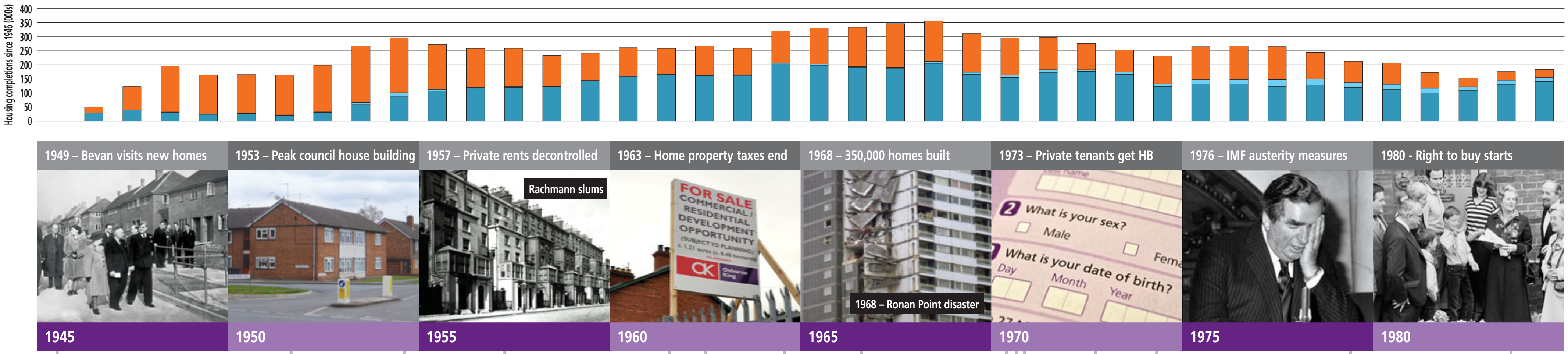
Autumn Briefing Paper

Mark Stephens, John Perry, Peter Williams, Gillian Young and guest contributors

Chartered Institute of Housing

University of Glasgow

Roll-call of post-war English housing ministers



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The Chartered Institute of Housing

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Introduction

The *UK Housing Review* is published annually each Spring. For 15 years it has been complemented by an Autumn Briefing Paper, which provides short articles on current topics, based in part on an updated set of statistics in the *Review's* online Compendium of Tables.

This edition is published shortly before the new UK government's first Budget, while the other three UK administrations struggle with tight financial circumstances that threaten the housing targets they have set. On the Briefing Paper's chart showing ministerial responsibility for housing in England, Labour appears for the first time in 14 years, during which time there have been no fewer than 16 different Conservative ministers. Given Labour's expressed priority for housing, the change of government at least offers the prospect of more stability.

Drawing on the latest statistics, the Briefing Paper assesses the implications of the changes since the full *UK Housing Review 2024* was published in March. It covers twelve different topic areas, mainly focusing on the early challenges that the new government faces. Three dedicated pages cover specific policy developments in Scotland, Wales and Northern Ireland. Our final page provides a list of updated tables now available on the *Review's* website (www.ukhousingreview.org.uk).

Mark Stephens' regular piece on the economy highlights the country's difficult fiscal position, the result of long-term low growth. The Labour government hopes to raise growth through various structural reforms, but these will take time to have any effect. Meanwhile the new government is committed to maintaining a tough fiscal stance, and unprotected departments seem certain to face budget squeezes.

A two-page article by John Perry then looks at Labour's target of providing 1.5 million new homes in England in the next five years. While very welcome, the target faces considerable obstacles and it is argued that reforms to the planning system will take time to work through, and so achieving the target will depend heavily on more investment in the social sector.

CIH's Matthew Scott points to the challenges Labour faces in another of its key areas for investment – getting back on track towards meeting the UK's 'net zero' targets. Doing so will require more money, and while the question of 'who pays?' is unresolved, the consequences of inaction grow ever larger.

Boosting homeownership and regulating the private rented sector

Three articles consider issues relevant to the private housing market. Peter Williams looks at the uncertain prospects for Labour's plans to increase the number of first-time buyers, with numbers of younger owner-occupiers at an historic low point. Much depends on boosting supply, itself dependent on improved economic prospects. Alan Murie, professor emeritus at the University of Birmingham, revisits contentious proposals to reform the right to buy, a topic he covered earlier in detail in the 2022 edition of the *Review*. Mark Stephens then looks at likely reforms to the private rented sector, comparing those heralded for England with changes already made or planned in Scotland and Wales.

Public spending, benefits and taxation

A further three articles look at prospects for change in key aspects of housing finance. Ralph Mould, an economist with ChamberlainWalker, examines the distorted split in housing expenditure between supply-side and demand-side subsidies, and how the balance might be restored. Mark Stephens explores in more detail the growth of the main demand-side subsidy, housing benefit, arguing that Labour has so far neglected this policy area but will be unable to avoid facing the growing pressures for reform. He also considers another neglected policy area – council tax – where Labour could usefully follow the steps towards making the tax more progressive being taken in Wales.

Providing temporary accommodation for homeless households and for asylum seekers

Two articles are concerned with the crisis in supplying temporary accommodation (TA). Francesca Albanese of Crisis argues that tackling the growing costs will be a crucial issue in Labour's planned cross-government strategy to end homelessness. Kate Wareing of Soha Housing makes the case for a new approach to accommodating asylum seekers. This could save money and eventually make available more TA for households in the general population who are facing homelessness.

Scotland, Wales and Northern Ireland

Mark Stephens looks at the components of the recently declared 'housing emergency' in Scotland. Bob Smith, honorary senior research fellow at Cardiff University, considers challenges facing the housing sector in Wales. Joe Frey who, like Bob Smith, is a knowledge exchange broker for the UK Collaborative Centre for Housing Evidence (CaCHE), discusses the uncertain prospects for housing policy in Northern Ireland, even after devolved government has been restored.

All three articles look at the consequences for affordable housing targets of the cuts in block grant from Westminster.

In April next year the *UK Housing Review 2025* will aim to provide a considered appraisal of the new Westminster government's evolving housing and welfare policies, and will also, of course, assess the latest policy developments in Scotland, Wales and Northern Ireland.

This Autumn Briefing Paper has brought in a range of writers alongside the *Review's* normal team of authors and editors. They are named above and we thank them for their excellent contributions.

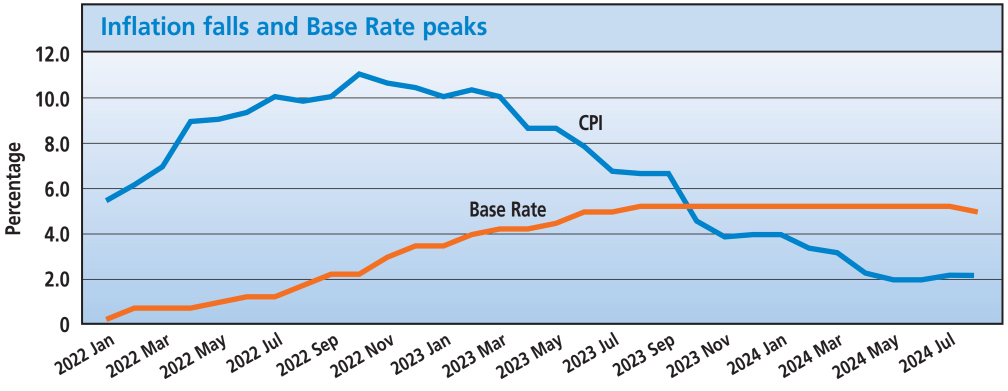
John Perry, Mark Stephens, Peter Williams and Gillian Young

October 2024

Bleak House: Public expenditure and the economy

Mark Stephens

The economic – and hence fiscal – outlook is undeniably bleak. Persistently low levels of economic growth have contributed to the UK experiencing the highest tax burden since the 1940s and tight public spending. Inflation may have fallen towards target and the base rate may now be in a downward trajectory (see chart), but growth remains subdued.



Source: ONS and Bank of England.

No wonder the new Labour government is seeking to 'kickstart economic growth'. Its focus on the planning system, which it sees as a significant barrier not only to housebuilding but to investment in infrastructure, is a core part of its growth strategy. The Labour manifesto also proposed an Industrial Strategy Council to provide advice to businesses, a National Wealth Fund using public money to lever private investment into industries, and a statutory requirement for Local Growth Plans. There will also be a return to 'active' labour market policies, for example to encourage people with disabilities into employment. The government promises a 'pro-business environment' and a 'pro-innovation regulatory framework' for financial services. However, even if effective, structural reforms take a considerable time to work.

In the meantime, the gloom will not be lifted by public spending increases. The top line in Labour's economic strategy is to 'deliver economic stability with tough spending rules.' The new government has prioritised establishing and maintaining a high level of fiscal credibility, a large part of its election 'narrative' having been its claim that the previous government was fiscally irresponsible. Labour remains committed to retaining its predecessor's fiscal rules, which involve reducing government debt as a share of GDP by the fifth year of each forecast period. Further – following the experience of the Truss administration's mini-budget in 2022 – Labour is adopting an additional 'fiscal lock'. In July the chancellor announced a new Budgetary Responsibility Bill that will require any 'fiscally significant event' to be accompanied by an independent assessment by the Office for Budget Responsibility. Temporary responses to emergencies would be exempted.

The Institute for Fiscal Studies accused political parties of avoiding discussion of the difficult spending decisions needed after the election. Its analysis suggested that on the basis of the 'headline' spending commitments in the March budget and with increases in the principal taxes ruled out, 'unprotected' departmental budgets (e.g. excluding health and defence) face annual cuts of between 1.9 and 3.5 per cent. 'The precise figures are less important than the fact that there are cuts on the way with absolutely no sense from the main parties about where they might fall', it said, with departmental investment also set to fall 'sharply'.[1]

Yet, after an 'audit'[2] of public spending, the new government claimed that the public finances were in an even worse shape than anticipated, with a 'black hole' of almost £22 billion in the excess of planned departmental spending over that set out in the March Budget. In fact, nearly half of this excess reflected the new government's acceptance of recommendations from public sector pay review panels. Other causes included pressures in the immigration system, support for Ukraine and the NHS. Although the excess represented less that two per cent of government spending, the government was anxious to signal its tough stance. Its audit set out plans to curtail spending by £5.5 billion in 2024/25 and £8.1 billion in 2025/26. Cuts included restricting the previously universal pensioners' winter fuel allowance mostly to recipients of pension credit, and scrapping the long-awaited agreement to cap households' liability to social care charges in England following the Dilnot Commission report of 2011.

October's Budget will be a tough one. Labour has ruled out increasing income tax, NICs or VAT, but it seems certain that other taxes (such as capital gains tax) will rise. Expenditure cuts are also expected, although more government borrowing is also anticipated. This might well require the chancellor to change the way in which debt is measured to remain within the fiscal rules. The favoured option appears to be to exclude Bank of England portfolio losses. These arise when the Bank sells bonds back to investors at a loss which the government covers. This could increase the government's spending 'headroom' from the £8.9 billion estimated in March to £25.8 billion.[3] The Treasury has not ruled out such a move, noting that 'The precise details of the government's fiscal rules will be set out in the Budget…'.[4]

The Budget will be followed by a new, multi-year Spending Review next Spring, to be repeated every other year.

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1 IFS (2024) *Public finances and the 2024 general election*. London: IFS (https://ifs.org.uk/articles/public-finances-and-the-2024-general-election).

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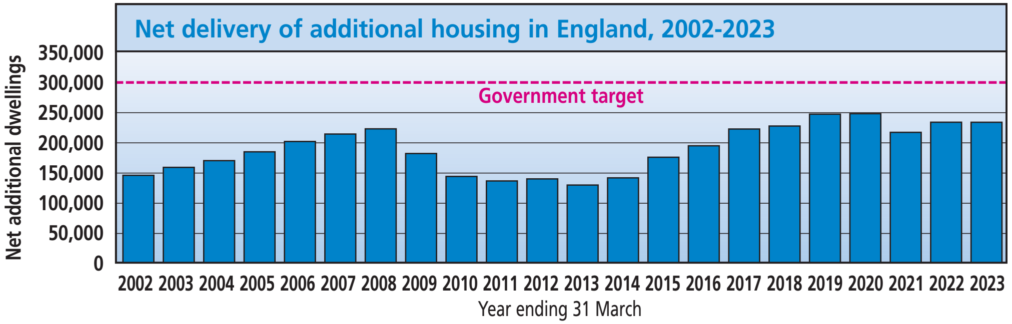
The new government has set challenging housing targets – will it achieve them? *John Perry*

Before the election, Labour promised to build 1.5 million homes in England in five years, and the new secretary of state Angela Rayner raised the *ante* by announcing that a target of 370,000 homes annually – rather than 300,000 – would be set in a revised National Planning Policy Framework (NPPF). Will the measures they have announced be sufficient?

The new approach sees housing affordability as primarily a question of supply, with the planning system as the main impediment. Reconfiguring the planning system and imposing targets on local authorities will produce more homes, prices will fall and become more affordable, so homeownership will rise. While some extra public resources are needed, changes to the system will do much of the heavy lifting.

However, the scale of the challenge is considerable (see chart). Assuming the government's target means 'net delivery' of 300,000 extra homes annually, output has been at least 50,000 short of this each year, for over two decades. Furthermore, Angela Rayner herself admitted that delivery is expected to fall below 200,000 in 2023/24.[1]



Note: Net delivery is based on new completions plus acquisitions and conversions, minus demolitions, etc., so differs from new completions alone. Source: DLUHC: Housing supply: net additional dwellings, England: 2022 to 2023.

Where will the extra output come from? Taking the start year as 2025/26, the target might translate into a series of steps, beginning with (say) 255,000 new homes in that year and rising towards (say) 350,000 by 2029/30, giving a total of 1.5 million (see table). If 2023/24 completions prove to have fallen significantly, the gap will of course be larger.

Possible increased targets to achieve 1.5 million homes over five years

	2025/26	2026/27	2027/28	2028/29	2029/30	Total
New target output (total)	**255,000**	**270,000**	**285,000**	**340,000**	**350,000**	**1,500,000**
Current (2022/23) net delivery (rounded)	**230,000**	**230,000**	**230,000**	**230,000**	**230,000**	**1,150,000**
Extra output required (target)	**25,000**	**40,000**	**55,000**	**110,000**	**120,000**	**350,000**

Source: Author calculation using the same base as the chart above.

Speculating still further, projecting the likely contributions of the private and social sectors is helpful in analysing the likelihood of success and the key ingredients required. In 2023, the social sector contributed almost 64,000 new homes to total delivery of 234,000, or 27 per cent. The contribution has varied widely, but if we assume it might average at 25 per cent then the sector's output would need to rise to 90,000 by 2029/30, while private developers' contribution rises from 175,000 (2022/23 output) to 260,000.

Looking first at the private sector, the task is apparent from the fact that its highest contribution in the last 15 years has been slightly short of 200,000. The industry has low expectations for both 2023/24 and 2024/25, but forecasts recovery from 2025.[2] In addressing this, Labour needs to focus on both demand-side and supply-side measures. On the former, it is prioritising help for first-time buyers, but (see p.8) its proposals are limited and depend considerably on improved economic prospects (with these perhaps already signalled by falling interest rates).

On the supply side, the government's immediate measure is to tackle 200 stalled sites, with efforts already in hand to restart four sites totalling 14,000 dwellings, requiring additional public finance.[3] Longer-term measures focus strongly on reforms to the planning system and making more land available. They include:

- Restoring five-year housing plans and local building targets in the new NPPF, with local communities only able to determine 'how, not if' development goes ahead. Local residents will, however, be given 'first dibs' on new homes, although with questions about how this will work. Nutrient neutrality regulations, said to have delayed 160,000 new starts, will be changed to allow developments to go ahead with mitigation steps taken elsewhere.[4]
- Introducing a strategic planning tier to enable effective cross-border decision-making.
- Requiring councils to review green belts to identify 'grey belt' land: 'poor quality and ugly' parts of the green belt that could be developed. Knight Frank estimates these might provide for an additional 100,000-200,000 homes and possibly more.[5]
- Funding the recruitment of 300 additional planning officers, although with issues about how readily this can be done. A quarter of planners reportedly left the public sector between 2013 and 2020, showing the scale of the problem.[6]
- Tackling the shortage of construction workers, with the industry saying 250,000 more are needed.[7] Labour promises 'workforce and training plans' to recruit workers but rejects the option of bringing workers from abroad.
- Capturing more of the enhanced value of land once it receives planning permission, with the aim of funding infrastructure and social housing (while still leaving sufficient value with the landowner to incentivise development).[8] One assessment is that over £10 billion additional funding could be captured annually, although other estimates are more modest.[9] Councils will also have stronger compulsory purchase powers.

- Legislating for new towns, with 'spades in the ground' promised by the end of the parliament. A New Towns Taskforce is charged with identifying locations within 12 months and key figures have already been appointed.

These are ambitious proposals which nevertheless face considerable obstacles, not least reluctant councils which may try to delay progress. The scale of the task is illustrated by the fact that, even though the MHCLG's new assessment of housing needs shifts future supply away from London, it still leaves London Boroughs to secure the delivery of more than twice as many homes as have been built in the last 15 years.[10] Also, the greater emphasis on supply in the North and Midlands risks developers having less appetite to build in areas where sales might be slower. Changes to the system might deliver more land with planning permissions, but can they secure the building out of the new sites?

These obstacles, taken together with the time needed for reforms to take effect, suggest that achieving the targets might rely even more strongly on the social sector. Angela Rayner wants delivery of social rented homes to rise in 2025/26, implying injection of more funds into the current Affordable Homes Programme (AHP) as well as promised greater stability in rent policy. These would be elements of 'a long-term housing strategy' which aims to 'deliver the biggest increase in affordable housing in a generation'. The government also understands that delivery depends significantly on developer contributions, and so it aims to retain and strengthen 'section 106' powers, e.g. requiring 50 per cent of homes to be affordable where green belt land is released.

While the social sector has welcomed the government's ambitions, it is also conscious of considerable obstacles (including the workforce issues noted above):

- MHCLG has released figures showing that output under the AHP 2021-2026 is falling from a hoped-for 180,000 homes to between 110,000 and 130,000.[11] This is a strong signal of cost pressures and of competing demands for social landlords' resources when they are required to invest heavily in their existing stock.
- Section 106 contributions depend both on a vibrant housing market and social landlords' ability to acquire the homes it provides. Yet there are considerable bottlenecks related both to shortage of funds and the quality of housing being supplied by developers, which government will have to address.
- The pressures to invest in the existing stock – to achieve net zero and meet building safety and other demands – have led to calls for specific funding so that money does not have to be diverted from new build.
- Government plans to emphasise development for social rent, while welcome, imply higher grant levels.

Particular issues face the council housing sector. The government is reviewing right to buy (see p.10) but councils' Housing Revenue Accounts face an unsustainable level of debt, mainly due to government policy changes since the 2012 settlement. CIH and Savills have shown that the sum needed to put councils back into the position they enjoyed in 2012 would be a staggering £17.4 billion in debt transfer. Some councils have already cut their development plans as a result, with Southwark Council leading calls from the 20 biggest council landlords for a new strategy for the sector.[12]

In the *UK Housing Review 2024*, Glen Bramley argued that a programme to meet the full scale of need could be funded in large measure by capturing the surpluses in private development through reforms to the planning system. However, this would eventually require up to £10-12 billion subsidy each year at 2022 prices. This is far above current investment levels of £2-3 billion annually. The National Housing Federation has called for AHP funding in this parliament to run at £4.6 billion annually, with an additional £2 billion annually for existing homes.[13]

The chancellor is imposing tough constraints on public spending, but positive steps to address the resource issue might be possible. For example, the *Review* regularly points out that half of the MHCLG's capital spending goes on the private market and this could at least partially be redirected towards enhancing the AHP. More ambitiously, various bodies have called for the government's fiscal rules to allow for extra public sector investment by switching the deficit target to the cyclically adjusted current budget.[14]

While questioning how the 1.5 million target will be achieved, it is important to acknowledge that the housing sector has broadly supported it, welcoming the prominence being given to housebuilding and especially to the supply of affordable homes. Both the prime minister and the chancellor have expressed this priority, so there is considerable expectation that they will somehow find the extra money required. However, given how much achievement of the target depends directly or indirectly on the private market, restoring a healthy and low-inflation economy is an even more important factor.

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4 See www.ft.com/content/e34aaaf8-451f-4210-9d77-0d479e9de219

5 Knight Frank (2024) *How can Britain's green belt boost housing numbers?* (www.knightfrank.com/research/article/2024-01-26-how-can-britains-grey-belt-boost-housing-numbers).

6 See www.localgov.co.uk/Leveraging-data-to-reverse-the-planning-staff-decline/60244

7 Construction Industry Training Board (2024) *Over 250,000 extra construction workers required by 2028 to meet demand* (www.citb.co.uk/about-citb/news-events-and-blogs/over-250-000-extra-construction-workers-required-by-2028-to-meet-demand/).

8 Labour is reported to be revisiting proposals made in a report by Oliver Letwin in 2018, examined in detail by Mark Stephens in the *UK Housing Review 2019*.

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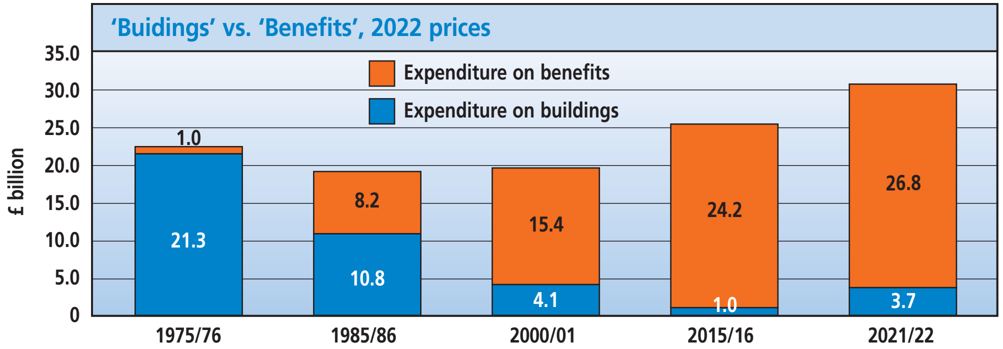
Disentangling demand and supply subsidy in UK housing

Ralph Mould

Examining the relative spending on demand and supply in UK housing is complex. The *UK Housing Review 2024* (p.54, Figure 1.4.2) and various other estimates have explored the balance between these subsidies over time.[1] The data in the *Review* show that total housing subsidy expenditure in 2021/22 was £30.5 billion, which is not dissimilar to earlier years: £32.6 billion in 1985/86 and £26.0 billion in 1975/76 (all 2022 prices; noting that the level of the latter is likely to have been affected by the 1973 oil crisis and the ensuing recession which extended into 1975). However, within those figures, the share of 'demand' subsidy rose dramatically from just 18 per cent in 1975/76, to 67 per cent in 1985/86 and 88 per cent in 2021/22.

With the phasing out of mortgage interest relief from 2000 onwards, demand-side subsidies now focus entirely on social security. Adjusting historical estimates to exclude the impact of mortgage interest relief shows that expenditure on both 'buildings' and 'benefits' is now at its highest level: £30.5 billion in 2021/22 compared to £22.3 billion in 1975/76 (see chart).



Source: Author calculations based on Hills (2007) and data from the *Review*.

The continued rise of housing benefit expenditure

Over the decades, housing subsidies have been significantly restructured, with housing benefits (HB and the housing allowance within universal credit) becoming the primary subsidy tool since at least the early 2000s. This transition was largely by design – demand subsidy tends to be more flexible and adjusts to people's circumstances: there is a case for it when the supply side is working. However, rising HB expenditure now reflects growing pressure on the housing system. Despite repeated government efforts to control costs through demand management and benefit cuts (see p.13), HB expenditure consistently surpasses official forecasts.[2]

The future of supply subsidy

There is a strong case for shifting subsidies back towards the supply side, given the significant housing need across the UK, with over 1.5 million households on waiting lists for social housing. Previous attempts to reduce expenditure on demand subsidies directly have been unsuccessful. To keep overall housing subsidies in the UK stable – or to reduce them – supply subsidies will need to be increased in order to achieve long-term savings on the demand side.

Making the case for increased supply-side subsidies to achieve long-term savings is challenging due to the high capital costs of new social housing compared to social rents and housing benefits. For 'cashable savings' to materialize for HM Treasury, yields in the social rented sector would need to rise, and borrowing rates for housing associations would need to fall, enabling them to borrow more and reduce the capital subsidy needed per home. While this shift could eventually occur, it seems unlikely in the immediate term. In the meantime, further increases in revenue costs (HB) might be expected.

Another fundamental issue is that the current UK fiscal approach treats capital grants as a cost, rather than as an investment in a public asset on the UK's balance sheet. Offsetting this 'cost' are relatively small savings in HB, at least in the short term. A continued government focus on reducing the national debt as a proportion of GDP within a five-year fiscal horizon makes long-term investment in housing more difficult, further reducing the scope for 'spend to save'. Additionally, a narrow focus on direct fiscal impacts ignores some of the hidden benefits of additional social housing, such as reducing the need for costly temporary accommodation, decreasing homelessness, alleviating overcrowding, and improving health outcomes. A reevaluation of the UK's fiscal rules could encourage more investment in housing by recognising its long-term economic returns.[3]

Placing a value on the embedded grant in new social housing to offset the upfront grant needed for new investment would help to rebalance the fiscal equation. It is underappreciated that UK plc has gained £9.4 billion (in current prices) over the past decade from right to buy receipts, in no small part due to the historic investments in social housing. Furthermore, the value of housing stock within England local authorities' Housing Revenue Account was around £122 billion in 2022. A more holistic approach to valuing social housing investments – recognising both their downstream savings to the Exchequer as well as their value as a national asset – would go a long way in making the case for increased investment in the supply side. By increasing the quantity and quality of housing delivered, supply subsidies would also make demand-side expenditure more effective in ensuring people are adequately housed.

References

1 See: ODPM (2005) *Evaluation of English housing policy*. London: ODPM; Hills, J. (2007) *Ends and means: the future roles of social housing*. London: LSE.

2 See for example DWP forecasts at the 2010 Budget and the 2015 Autumn Statement.

3 Oxford Economics (2024) *Rethinking the UK's fiscal rules is a key to unlock growth*. Oxford: Oxford Economics.

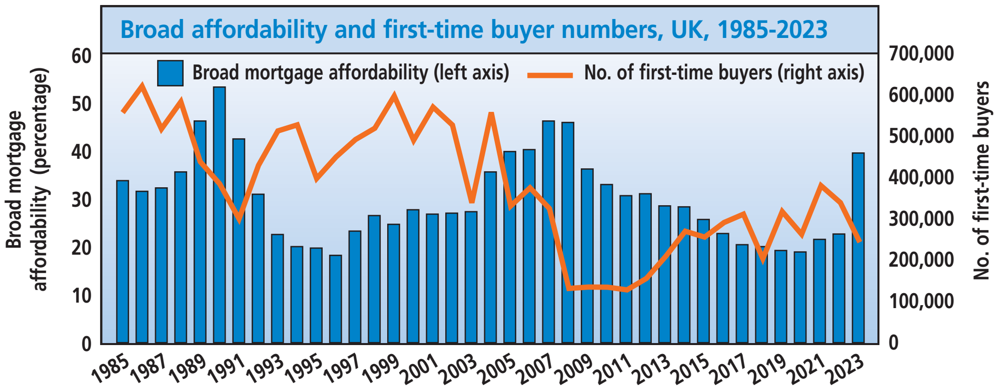
The Labour government will continue to support homeownership alongside its deep-seated commitment to providing more social housing. Both play into efforts to reduce inequality and increase economic growth. While the current backdrop is of a housing market in slow recovery, the reality is also that homeownership among younger households has fallen sharply[1] and housing supply has drifted ever lower from the last administration's 300,000 target. Boosting supply remains the cornerstone of policy.

The context the government has inherited is therefore challenging. With the closure of Help to Buy and likely further curbs on right to buy, in England the government will be heavily reliant on its 'Freedom to Buy' repackaging of the existing mortgage guarantee scheme and on boosting shared ownership (SO). Whatever the merits of the First Homes (FH) discounted market scheme, it has not progressed beyond its grant-aided pilot and there seems little enthusiasm in government or industry to sustain it.

Central to much of this is section 106 and how it might be reconfigured. Both FH and SO are heavily reliant on developer contributions, with SO also affected by financial pressures on housing associations – driving a reduced appetite and capacity to buy section 106 homes from developers. In addition, as the new Shared Ownership Council has highlighted, significant work is needed to ensure SO meets its full market potential.[2]

Elsewhere in the UK the situation is slightly better, but although Wales has retained Help to Buy it is evident that first-time buyers (FTBs) there and in Scotland and Northern Ireland still face the same basic pressures.

Affordability for aspiring FTBs remains very stretched, particularly in the UK's most pressured markets, e.g. London and the South-East.[3] In a recent IMLA report,[4] Rob Thomas developed the concept of 'broad affordability' to counter the somewhat distorting impact of bigger deposits, combined incomes and higher earnings, with the results summarized in the chart.



Source: Thomas, R. (2024) from ONS and UK Finance data. See footnote 4.

This shows very clearly the impact of higher interest rates on FTB numbers. Thomas looks at regional affordability, the costs of owning versus renting and the number of actual buyers compared to projections based on their propensity to buy in 1981-84. He concludes that since 2011 there has been a cumulative shortfall of some 3.1 million FTBs.

Another recent report[5] adds further colour to this, highlighting the difficulties FTBs face in managing the rise in house prices and interest rates relative to incomes. Though mitigated by making bigger deposits, having longer mortgage terms, making joint purchases with combined incomes, etc., households still meet binding constraints.

Also playing into this are the Financial Policy Committee's 'macroprudential' rules. While the three per cent mortgage stress test has been replaced by the Financial Conduct Authority's one per cent test, the mortgage flow limit has been retained, preventing lenders from offering in excess of 15 per cent of loans at more than 4.5 times income. In practice many continue to use a higher stress test and, given the variability of lending volumes, lenders stay well below the 15 per cent limit to ensure compliance.

For FTBs, much now turns on the future course of interest rates and incomes alongside any government interventions. With the Bank of England's recent base-rate cut there is an expectation that the peak rate in the cycle has been reached, that rates will move downwards and that lenders will continue cutting mortgage rates. Even so, we cannot ignore the reality that many existing buyers can still expect their costs to rise – in the case of some 400,000 by 50 per cent or more – as fixed-rate mortgages end.[6]

The number of higher loan-to-value products on the market has risen but this comes at a price. Right now, the options for lower-income FTBs are about buying homes in lower-priced areas and potentially having longer journeys to work. The current dysfunctionality of the housing market continues to impose strains on both the wider economy and on many households.

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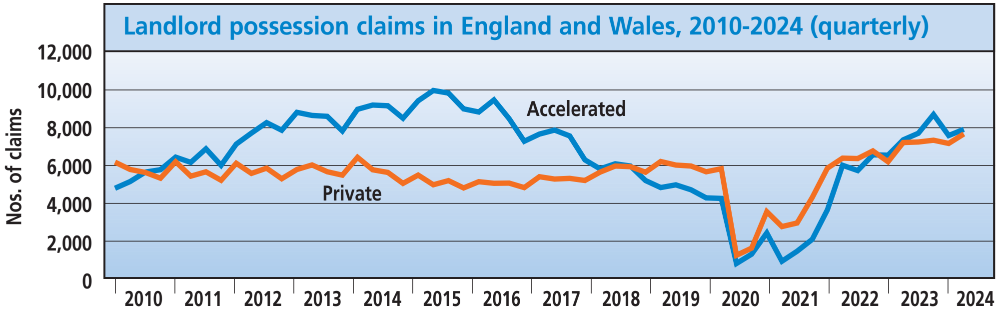
Reforming private renting – will Labour go beyond the Renters Reform Bill?

Mark Stephens

The new government has met its commitment to legislate to abolish 'no-fault' evictions in England. The new Renters' Rights Bill builds on the earlier Renters Reform Bill, lost when parliament was dissolved for the general election.

Since insecure assured shorthold tenancies were introduced in 1989, private renting doubled to house almost one-fifth of English households, including more than 30 per cent of lone parents and 19 per cent of couples with children.[1] Possession claims have risen sharply since the pandemic, with private landlord claims reaching almost 30,000 in the year to March 2024. The case for a more secure tenure has consequently become irresistible.



Note: 'Accelerated' claims do not distinguish between landlord type, but are believed to be predominantly private sector. The figure for Q1 2024 is provisional.
Source: Ministry of Justice, Mortgage and Landlord Possession Statistics.

The Conservatives promised reform in their 2019 manifesto. After a white paper in 2022, the Renters Reform Bill eventually proposed reducing the scope for 'no-fault' evictions with the phasing in of new, monthly periodic assured tenancies. However, the Bill introduced two new mandatory grounds for eviction when the landlord wishes to move into or sell the property. Consequently, no-fault evictions would be limited rather than ended altogether. The Bill steered clear of any general system of rent regulation, but replicated the rarely used provision for assured tenants to appeal to the First Tier Tribunal against excessive, in-tenure rent increases, thus preventing landlords from using such increases to make *de facto* evictions. The Bill also allowed ministers to extend the Decent Homes Standard to private tenancies.

The headline measure in the Renters' Rights Bill is to 'abolish section 21 evictions'. However, 'no-fault' evictions will still be permitted when a landlord wishes to sell a property or move into it. In any case, tenants will be protected for the first 12 months of a new tenancy and then if landlords do use these grounds for eviction, four months' notice must be given. As Anna Clark has observed, this represents an end to 'no-grounds' evictions rather than 'no-fault' evictions. Although there should be fewer evictions as a result, landlords who used section 21 to gain possession are likely to switch to using mandatory grounds instead.

A big difference from what the Conservatives had proposed is that these provisions will be implemented immediately and all tenancies converted to the new system.

The Bill contains some other important changes.

Both the Decent Homes Standard and 'Awaab's Law' will be extended to the private rented sector in an attempt both to raise standards generally and to give clear timeframes for landlords to tackle serious hazards in a property. A Private Rented Sector Ombudsman will provide a redress system on a par with that enjoyed by tenants of social landlords. Meanwhile landlords will need to register with a private rented sector database to use certain possession grounds. This will also be used to provide information for landlords and tenants.

Other provisions in the Bill will give tenants the right to request having a pet in the property, prohibit landlords discriminating against prospective tenants because they have children or receive social security, and will seek to end 'rent bidding': landlords will have to advertise a rent and it would be illegal to accept offers over this sum.

The Bill does not, however, contain provisions for general rent controls, which are believed to be favoured by Labour mayors such as Andy Burnham and Sadiq Kahn.

In private renting reform, until now England has lagged behind Wales and Scotland. A framework like that proposed in the Renters Reform Bill was introduced in Scotland in 2017 (allowing no-fault evictions where landlords wish to live in or sell the property). However, all mandatory grounds for possession were first suspended in 2020 due to the pandemic, and then ended permanently. A tribunal must now decide whether it is 'reasonable' to evict a tenant.

Wales chose not to end 'no-fault' evictions in its Renting Homes (Wales) Act 2016, which came into force in December 2022. Instead, it increased the notice period from two to six months. The Act was amended in 2021 to ensure that tenants with a 'standard' contract would have a minimum of 12 months' security of occupation.

Scotland made provision for 'rent pressure zones' under its 2016 legislation, but none has been created. The current Housing Bill makes provision for Rent Control Areas (see p.17 of the *Briefing*). The Welsh Government consulted on rent controls as part of its green paper on housing and has published a summary of responses.[2] A white paper is awaited.

Meanwhile, in April, the Northern Ireland Assembly called for the Minister for Communities to 'bring forward legislation to ban no-fault evictions',[3] so far to no avail.

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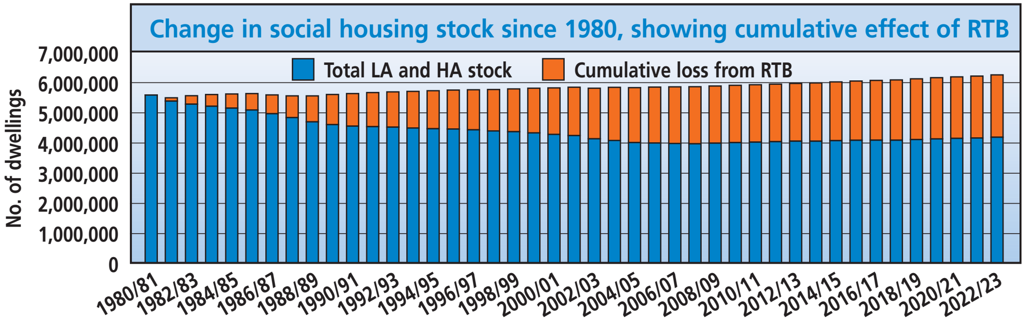
The right to buy has played a key role in changing housing across the UK since 1980, but has failed to sustain increased owner-occupation and has reduced access to secure, affordable rented homes. Whilst RTB has been abolished in Scotland and Wales it continues in England with higher-than-ever discounts on sale prices. The new government appears committed to reviewing these discounts but not RTB itself. This article analyses the case and options for wider reform of RTB in England.

The right to buy continues in a very different housing environment in England than when introduced. In 1980 there was council housing in every English local authority, housing almost one in three households, substantial Exchequer subsidies were paid into councils' Housing Revenue Accounts and over 100,000 council homes were being built annually.

Forty years later there are no council homes in many areas, less than ten per cent of households are council tenants and councils build fewer than 5,000 dwellings annually. HRAs receive no Exchequer subsidies and despite loading them with extra debt in 2012, the Treasury has consistently retained a share of receipts from RTB sales. The fall of almost 1.4 million in the total social sector stock, and the cumulative effects of RTB, are clear from the chart.



Source: UK Housing Review calculations based on MHCLG live tables 21 and 104.

Consequently, waiting lists are longer and more households experience homelessness, insecure private tenancies, temporary accommodation or live in overcrowded and substandard dwellings, but with fewer routes into secure affordable tenancies. The cost of providing emergency accommodation in this crisis exacerbates councils' financial problems; and new private housebuilding does little to improve opportunities for disadvantaged households.

Limited new council housing since the 1980s and sale of more attractive and larger homes have left a council sector that is older and needing more investment to meet today's standards, especially to eliminate damp, mould and fire risks. A higher proportion of council homes are one-bedroom properties and flats that do not meet family needs. A larger, modernized, energy-efficient council sector would reduce insecure and unhealthy housing and help underpin health, education, economic and equality agendas.

Rather than relieve any of these problems, RTB inhibits investment in various ways. Third party abuses continue to be difficult to prevent. Attempts to protect 'homes for locals' in high demand rural and coastal areas have failed. Too many leaseholders of properties sold under RTB face unexpectedly high service charges (exacerbated by health and safety concerns, including cladding). Half or more properties sold to owner-occupiers become private tenancies. Resulting rents, higher than for council lettings, and increased sharing and sub-division of properties affects neighbourhood dynamics as well as household budgets, benefit dependency and social security costs.

Furthermore, RTB discounts are extraordinarily high, receipts are insufficient to replace sold properties and government restricts local authorities' share of receipts and how they use them.

The £50.6 billion capital receipts generated by RTB in England since 1980 have, in large part, not been reinvested in housing but instead used to reduce government debt.

These considerations suggest that the new government should broaden its review of RTB to consider three options:

1. *Revise centrally determined rules to limit RTB sales and encourage replacement:*
   - exempt designated areas with shortages of council and social housing
   - exclude specified dwellings (new or acquired properties, flats, larger houses)
   - require sale prices to exceed costs of provision
   - eliminate or restrict maximum discounts to 30 per cent (including flats)
   - maximise potential investment by channelling all receipts to local authority HRAs.
2. *Follow Scotland and Wales by abolishing RTB.* Whilst outright abolition might be off the agenda, eligibility could be restricted, perhaps by excluding new tenants initially and possibly extending this to all tenants after two years.
3. *Delegate decisions on sales and exclusions to councils* – that understand local situations and trends.

Two key considerations follow these alternatives. First, neither revised central directives nor abolition of RTB can take sufficient account of local circumstances. Secondly, abolition of RTB, once fully implemented, would preserve the existing stock but, on its own, would not generate additional lettings. Tenanted council housing only produces new lettings when tenants move out – often after 20 or 30 years. Some undiscounted sales to sitting tenants could generate funds for acquisition or new building that would provide new lettings more quickly – a better outcome than outright abolition, if appropriate rules determined sale prices and required reinvestment of capital receipts in housing,

Changes to RTB are best considered within policies to support councils' long-term planning to meet housing needs. This requires government to operate the self-financing system for council housing purposively, providing certainty about future rent levels, application of prudential borrowing rules and crediting all receipts from council house sales to HRAs. The approach would be further enhanced by writing off some HRA debt in respect of previous RTB receipts.

In its 2024 manifesto, Labour pledged to 'slash fuel poverty, and get Britain back on track to meet our climate targets'.

These are vital commitments. In 2022, the residential sector accounted for 17 per cent of all UK carbon emissions.[1] National Energy Action has also estimated that in July 2024, 5.6 million UK households were in fuel poverty.[2] With energy prices predicted to stay far above pre-pandemic levels until 2030,[3] fuel poverty will continue to be an important concern. As it moves towards its first Budget, we focus on three difficult areas that the new government will need to tackle to address these concerns.

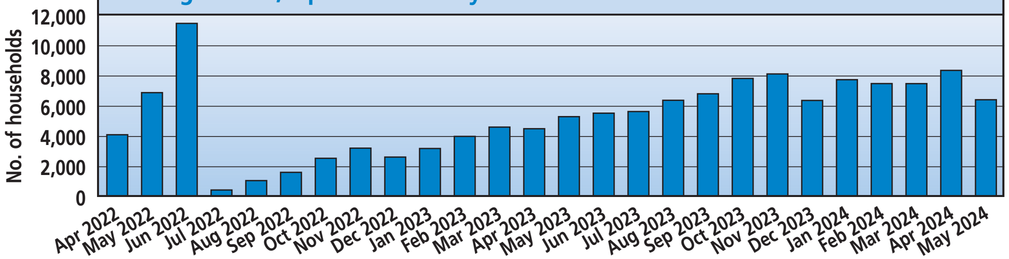
First, Labour requires a coherent plan for making clean heat affordable and accessible to all. There is no indication that Labour plans to relax the previous government's targets of installing 600,000 heat pumps per year by 2028. There are two issues here: the capital cost of heat pumps, and how much they cost to run.

One study reported the average cost of a low-temperature air-source heat pump as £9,000, excluding other measures sometimes needed, such as insulation.[4] This is prohibitive for many low- and middle-income households, as well as cash-strapped social landlords, even taking account of government subsidies.

In relation to running costs, UK electricity prices remain among the highest in Europe,[5] shaped by the way the price of gas drives our energy market.[6] Although there is evidence that the cost of running a heat pump is approaching the same as gas boilers,[7] any fall in prices from Labour's push for greater renewable energy generation is unlikely to pass through to energy bills until after 2030. A key incentive for heat-pump adoption – lower energy bills – is therefore currently lacking.

The government thus faces a twin challenge: driving down the capital cost of pumps as much as possible, and reducing the price of electricity before 2030. Options for the latter include removing some of the levies currently attached to household electricity bills or developing measures such as a 'clean heat discount', where electrically heated homes get a rebate on their bills.[8]

Number of households receiving energy-efficiency measures per month through ECO4, April 2022 – May 2024



Source: DESNZ, Household Energy Efficiency Statistics, July 2024. For further analysis see: www.theeeig.co.uk/media/1135/eco-delivery-briefing-eeig.pdf

Secondly, the government has inherited a confused regulatory landscape. The status of key policies across all four nations, such as the dates for phasing out fossil fuel heating systems, remain unclear. Lack of certainty has made it more difficult for the housing sector and supply chains to plan and invest. One of the key points made by the 2023 Independent Review of Net Zero, that 'well-designed, smart regulation acts as a guide and enabler of growth',[9] is therefore increasingly important. One of Labour's challenges will be to establish a policy and regulatory environment that gives clarity and confidence to the housing sector on what it must do, how, and by when.

Finally, the government aims to insulate five million homes across the UK in five years. This is a bold target given the delivery achieved via existing energy-efficiency schemes. Six months into its four-year programme, the government's flagship scheme in Great Britain, ECO4, had upgraded only 6.6 per cent of the 450,000 homes it was projected to support (see chart). England's Social Housing Decarbonisation Fund, now in its second wave, has been beset by challenges, including skills and supply chain shortages, volatile project costs, and issues about coordinating with utility companies.[10] The overall effect is that, at current delivery rates of all government energy-efficiency schemes, it will take 72 years to meet the five million homes target.[11] The government urgently needs to consider how to scale up installations soon, and ensure that current and future schemes overcome the challenges that have plagued previous ones.

All of this says nothing about the multiple other challenges associated with home decarbonisation, not least the question of who pays. The cost of reaching net zero by 2050 was estimated to be £321 billion by the Office for Budget Responsibility, with significant uncertainty as to how this will be divided across government, households, and businesses.[12] Of course, the cost of 'not zero' is potentially much greater, with one recent study modelling a global GDP loss of up to ten per cent if the planet warms by +3°C.[13] As it grapples with these challenges, the new government will need to balance the difficult trade-offs of climate action against the undoubted harms of inaction.

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Labour's chosen theme for the general election may have been 'change', but one area that seems set to remain unchanged, in England at least, is the council tax (CT), the principal form of property taxation in England, Scotland and Wales.

Since non-domestic rates are set by central government, CT is also the only tax whose rate is set by local authorities, paying for around one-quarter of current spending (in Scotland it is currently subject to a freeze). CT is expected to raise £46.9 billion across Great Britain in 2024/25, some 1.7 per cent of national income. The average household bill (net of discounts and rebate schemes) is £1,620.[1] Single adult households receive a discount, regardless of income, suggesting that the tax contains a service charge element. Means-tested reduction schemes are operated locally in England, with varying designs for working-age households. Uniform schemes operate in Scotland and Wales.

CT has two principal faults. One is that a system of eight bands of property values (nine in Wales) is designed to be regressive, as the tax rate ('band multiplier') rises at a lower rate than property values. While higher-value bands are subjected to higher absolute levels of tax, these represent a lower proportion of property value. Second, property bands are based on 1991 values (in Wales, 2003). If values had risen uniformly across property types and local authority areas this would not matter. But this is not the case: between 1990 and 2021, house prices rose by 113 per cent in London, but by only 42 per cent in the North East.[2] Even within local authorities, relative prices have changed since 1991. Analysis in Scotland found that most properties would change band should revaluation take place.[3] Moreover, even after protections for lower-income households, CT is the only direct tax to be regressive when measured against current income. 'Even after council tax support claimed, the poorest fifth pay a greater proportion of their gross income in council tax than the richest fifth.'[4]

A progressive property tax would result in regions with high property values and higher general prosperity being taxed more heavily than poorer regions. To test if this is the case, the *Review* created a Regional Disparity Index (RDI) for England, made up as follows:

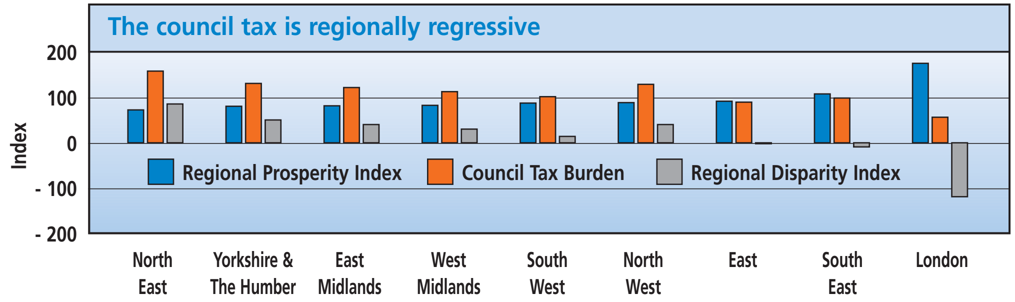
- *CT Burden* (CTB) is the revenue raised by council tax in a region as a proportion of the value of the region's housing stock (average=100).
- *Indicator of Regional Prosperity* (IRP) is GDP per head as a proportion of the UK average (average=100).
- The RDI is then CTB minus IRP.

The council tax is regionally regressive

The Regional Disparity Index shows that CT is strongly regressive regionally (see chart).

- RDI for poorer regions (North East, North West, Yorkshire and The Humber, West Midlands) is strongly positive.
- For London, it is hugely negative, revealing a pattern of regional extremes.
- It is roughly neutral for the South West, East and South East.

The Scottish Government introduced some modest reforms in 2017, whereby tax rates were increased on higher-banded properties. Last year a joint paper with local authorities proposed



Note: For explanation of the index, see text.
Source: Author's calculation based on data from DLUHC, ONS, Statistica.

to further increase the tax rates in higher bands, affecting the most valuable 28 per cent of properties, but without revaluation.[5] Although these proposals have stalled, incremental adjustment of band multipliers is one way to phase in a proportionate property tax.

Although the UK and Scottish governments have dodged revaluation, the Welsh Government has shown it is possible. Wales undertook a revaluation in 2005 (based on 2003 values) and added an additional band. A Senedd Bill currently proposes regular revaluation cycles, probably every five years, with another expected by 2028. A consultation paper, supported by analysis from the Institute for Fiscal Studies,[6] offers three reform options: (i) minimum reform entailing revaluation and updating band thresholds (ii) modest reform, additionally involving lowering tax rates in the lower bands and raising them in the higher one, and (iii) extending (ii) by adding three more tax bands.

Doubtless, excuses to avoid reform can always be found. But there are solutions to the well-known 'asset-rich, income-poor' issue (including rebates and deferment of payments), leaving politicians without a credible excuse for perpetuating the household-level injustices that arise from failing to revalue this tax base. It is also manifestly clear that council tax reform must be a necessary part of any government strategy that credibly seeks to tackle England's regional inequalities.

References

1 Data from the OBR (see https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/council-tax/).

2 *UK Housing Review*, Compendium Table 47a Average regional house prices.

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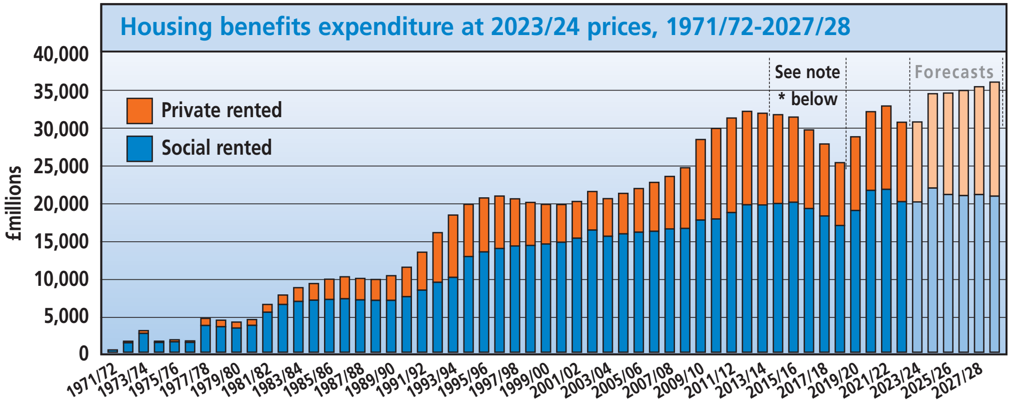
Housing benefits present one of the one of the hardest challenges to the new government. On the one hand, the cost has grown substantially over the past 40 years, exceeding £30 billion – more than the entire budget of some government departments – and forecast to rise to £35 billion in 2027/28.



Note: * UC housing allowance not reported prior to 2019/20. This affects data over the period 2014/15-2018/19. Prior to 1982/83, rental support delivered through supplementary benefit is also excluded.
Source: DWP (2023) Benefit expenditure and caseload tables 2023; Autumn Statement 2023.

On the other hand, it is the price we pay for two structural features of UK policy. The first is the exclusion of any allowance for housing in baseline social security benefits. If it is to prevent incomes falling below the living allowance provided by mainstream benefits, the state must therefore meet claimants' full housing costs.

Costs first began to rise around 1980 when governments began to shift housing subsidies away from the 'supply side'. This forced up rents in existing social housing and reduced the supply of new social housing. Over time, right to buy further reduced the availability of social housing (see chart on p.10), while the private rented sector grew, adding to the housing benefits bill and hence to the growth of demand-side subsidies (see p.7).

As the cost of housing benefits rose, they became a target for government savings, so undermining their role as an income safety net. The most significant changes were:

- The eligible rent for private tenants – the local housing allowance or 'LHA limit' – was reduced from median rents in broad housing market areas to the 30th percentile of rents in 2011.
- The LHA limit was then not uprated with actual rents. It was eventually restored to the 30th percentile in April 2024, but with uncertainty over what happens in the future.[1]
- The benefits cap, introduced in April 2013, enforced a maximum benefit entitlement for working-age households intended to be equivalent to median incomes of working households after tax. After various changes the cap is now £22,020 (£25,232 in London), with lower rates for single people. The benefits cap is most likely to be applied in regions with high rents, where it often kicks in before the LHA limit is reached.
- The 'removal of the spare room subsidy' or 'bedroom tax' reduced benefit entitlement for social tenants with 'spare rooms' from April 2013, although it is fully mitigated in Scotland and Northern Ireland.

These measures brought relatively modest savings,[2] but have undermined the crucial 'safety-net' function of housing benefits, i.e. preventing income after rent from falling below the minimum provided for by the personal allowances in social security benefits. And whilst these 'reforms' were justified by the government as encouraging behavioural change, e.g. moving to smaller or cheaper accommodation, the government's own impact statement showed there was insufficient smaller accommodation.

Claimants can in principle escape the benefits cap by earning £793 per month,[3] but the opportunities to do this depend on circumstances, and it is therefore unsurprising that 70 per cent of households affected are lone parents. Meanwhile few council tenants have downsized and so end up paying the 'bedroom tax'. Restrictions on housing benefits have therefore taken more households into poverty, into deeper poverty, or even into destitution.[4]

So what is to be done? The obvious and necessary structural solution is to shift subsidies back to the supply side. Unfortunately, the social and affordable supply has to increase before the pressure on housing benefits is eased. The new government has committed to delivering 'the biggest increase in social and affordable housebuilding in a generation' (see p.5), but even if this is achieved, apparently with limited promises of additional funding, its effect in easing pressure on housing benefits will not be seen for some years.

This brings into focus what the Labour government's approach to housing benefits will be. Given the condemnation of the cuts to housing support that were clearly articulated by Labour when they were being introduced, it is disappointing that its manifesto was devoid of any reference to LHA, the bedroom tax, or the benefits cap. The chancellor's refusal to budge on the two-child limit in the early weeks of the new government and the removal of the whip from MPs who voted for its immediate abolition, signalled a tough stance on benefits. This is an area where pressure for change will mount and demand the kind of energy already being devoted to achieving Labour's housebuilding targets.

References

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3 This is the equivalent of 16 hours' work per week at the national living wage.

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Tackling rising use of temporary accommodation must be a priority

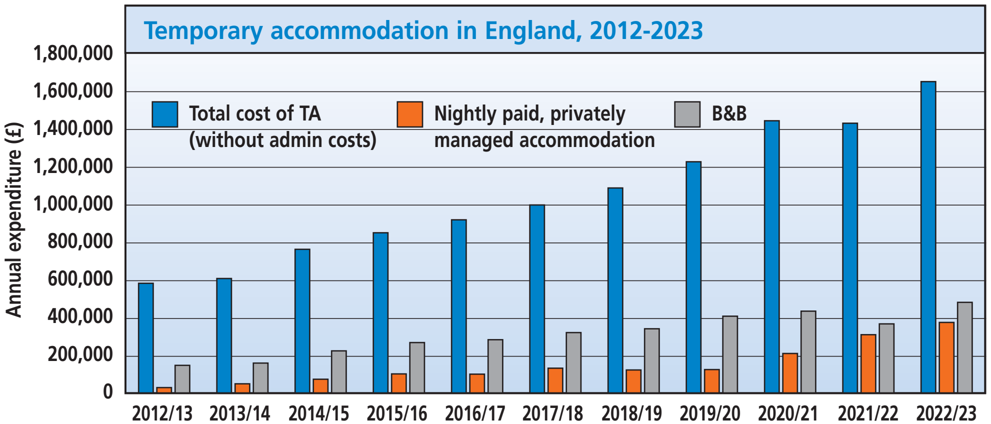
Francesca Albanese

The record levels of households trapped in temporary accommodation (TA) across the UK is well documented. England has seen the most dramatic and stark increases, with total households in TA almost doubling in the last ten years, and over 151,000 children now living in some form of TA, including 17,750 living in bed and breakfast accommodation (B&Bs).[1]

The causes of these trends are multifaceted but all point to the underlying housing crisis. For decades there has been a chronic undersupply of social housing and over the last ten years the *Review* has shown a net loss of some 210,000 homes let at social rents in England. Layered on top of this are significant post-pandemic rent increases in the private sector, exacerbated by the five-year freeze in local housing allowance rates which has prevented access to the PRS for many low-income households and increased levels of homelessness.

Councils have very few options to support people out of the homelessness system into secure housing: instead, TA placements have increased to unprecedented levels. There is also a fiscal pressure added to this with many local authorities citing their TA bill as a key driver of being pushed towards bankruptcy.

More than £1.6 billion was spent on TA in England in 2022/23; when administration costs are added, this rises to 1.77 billion (see chart). Over £1 billion of this is accounted for by London local authorities, where homelessness and housing market pressures are most acute. A significant proportion of expenditure is on short-term emergency provision. There has been a steady rise in use of and expenditure on B&B accommodation, which has remained above 30 per cent of the total TA bill since 2015/16, with nearly £500 million spent in 2022/23.



Source: DLUHC, Local authority revenue expenditure and financing England: 2022 to 2023 Budget, Table RO4.

More noticeable is the disproportionate rise in nightly paid, privately managed accommodation, including hotels, which has increased from six per cent of the total bill to 23 per cent over the last ten years. In the last three years spend on this type of TA has more than doubled from £128 million to £377 million across England. When added to B&B costs, this represents over 50 per cent of TA spend last year.

A recent London Assembly inquiry into London's TA emergency highlighted that some TA providers are converting from long-term lets to a nightly let basis because it is more profitable.[2] There is a huge risk that rising demand will further skew the ways in which accommodation is procured in the short term, unless the whole TA model is looked at, particularly its relationship to wider housing market dynamics.

There are short-term fixes to the TA problem. Lifting the TA subsidy cap, which has been frozen since 2011, would significantly help councils facing funding shortfalls now. A standards and oversight framework would help to address the extremely poor and unsafe conditions experienced in TA and help manage price competition which offers no accountability for standards. However, these solutions in isolation will not prevent the increased flow of people coming into the homelessness system and will not tackle the problem's root causes.

The renewed focus on housing delivery by the Labour government promises a welcome step change in addressing the huge levels of housing need across England. Alongside this the Labour manifesto promised to 'develop a new cross-government strategy, working with Mayors and Councils across the country, to put Britain back on track to ending homelessness'. Critical to the success of both is ensuring that a long-term housing strategy is fully integrated with any plans to tackle the homelessness crisis that has been building over many years. Guaranteeing that all new and existing social homes are accessible and meet the needs of people facing homelessness is part of the answer. It is not only a question of supply: to shift the reliance on costly and poor-quality TA downwards over time, there has to be a transition in England's homelessness system: it must prioritise prevention across all public services and aim to quickly move people out of TA into a home of their own.

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1 Ministry of Housing, Communities and Local Government, Statutory homelessness live tables, January to March 2024.

2 London Assembly (2024) *London Temporary Accommodation Emergency*. London: GLA.

Accommodation for asylum seekers – provide it more effectively and at lower cost

Kate Wareing

The system of accommodation for asylum seekers in the UK is not working. With current numbers of asylum seekers making new claims,[1] and delays in processing them, there is simply not enough accommodation available in normal housing stock. As a result, the government has been forced to put large numbers of people in 'contingency' accommodation – often hotels – for long periods. There is also a parallel shortage of accommodation for homeless households which has led to increased use of hostels and hotels by local authorities.

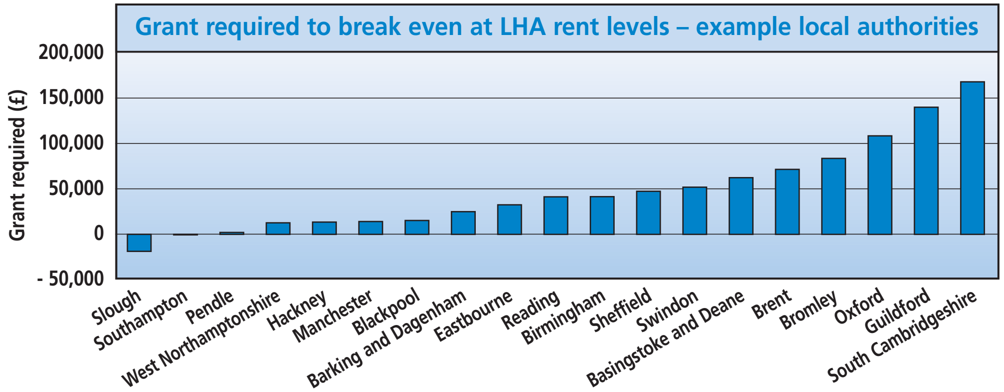
From the taxpayer's perspective, this is cripplingly expensive – the Home Office spends around £8 million per day on hotels while councils spend over £1.7 billion annually on all forms of temporary accommodation (TA).[2] From the perspective of those accommodated in hotel rooms, often for over a year, the experience is extremely difficult and often re-traumatising. From the perspective of local residents, businesses and councils in areas with concentrations of hotels accommodating asylum seekers, the impact on communities and tourism industries can be considerable. And of course, asylum hotels make easy targets for anti-immigration protests, exposing residents to extreme hostility.

But this could be different. Using available data for every local authority in England we have modelled how much grant would be required to enable a home to be bought on the open market and let at local housing allowance (LHA) levels (see chart – similar calculations would likely apply across the UK). Compared to current spend on hotel accommodation by the Home Office, the cost of providing the capital grant would be recovered in only *seven months* from the savings in lower, LHA rent costs compared with hotel charges:

- Average cost per person for hotel accommodation is £54,020 per annum.
- In comparison, accommodating three people in a three-bedroom house saves on average £150,395 per annum (the difference between the cost of a hotel and the rent for a three-bed house at average LHA rates).
- Except for a few outliers with very high or negative costs, the grant required to allow remaining costs (running costs plus interest charges) to be covered by LHA varies from zero to £192,000 with an average of £80,000 (see examples in chart).
- This means that in 91 per cent of local authority areas in England, the grant needed to enable the purchase of homes to be rented at LHA rents would be fully repaid from revenue savings in under one year, assuming sufficient homes can be purchased locally.

When we initially made these calculations in summer 2023, 48,000 people seeking asylum were staying in hotels.[3] If we had begun purchasing homes then, by now over 16,000 homes could have been procured with the capital grant costs fully recovered from savings on hotel charges, and the cost of accommodating those 48,000 people would have been £2 billion cheaper in the subsequent 12 months.

As the determination of asylum claims has quickened, the number of asylum seekers in hotels has fallen to 36,000 (March 2024). If those 16,000 homes had been purchased in 2023, 12,000 would still be in use in the asylum system (on the assumptions above), leaving 4,000



Source: Author calculations. See the full report for details (https://shorturl.at/to1CZ).

homes available to meet local homeless families' needs at a rent equal to the LHA. These could replace dwellings leased at much higher costs by local authorities from private landlords to meet their TA obligations.

Every year that we incur revenue costs on such expensive accommodation is a wasted opportunity to increase the stock of homes available to meet the responsibilities to both asylum seekers and to homeless households. A national supply of TA across all local authority areas would reduce costs to the state, provide better quality accommodation to people through a time of trauma, and add to the supply of affordable rented accommodation.

Even with the new government's building targets for social housing, the total number of lettings to new tenants is likely to remain below 200,000 per year (see Compendium Table 99 in the current *UK Housing Review*). By repurposing revenue support, an additional 16,000 new homes could be made available from Home Office hotel spend alone.

Numbers could be increased further if spending on other forms of dispersed accommodation for asylum seekers and TA for homeless households were included too. Payback periods would be longer – but each time revenue spend is used instead as capital grant funding, the nation's supply of affordable rented accommodation increases.

There are two key prerequisites: willingness to make capital outlays before savings are achieved, and willingness on the part of the Home Office and Ministry of Housing, Communities and Local Government to cooperate to put such a scheme in place.

References

1 An asylum seeker is someone who has applied for asylum and is awaiting a decision on whether they will be granted refugee status. In 2023, 84,425 individuals made asylum claims, equivalent to seven per cent of total immigration.

2 Asylum costs cited from www.gov.uk/government/news/150-asylum-hotels-returned-to-communities; for TA costs, see p.14 of this Briefing.

3 Data on asylum support from www.gov.uk/government/statistical-data-sets/asylum-and-resettlement-datasets

In search of evidence-based policy making: some reflections

Wendy Wilson

Rarely a week goes by without new research being published on some aspect of the housing challenges facing the UK. A glance at research stored in the Thinkhouse library[1] points to innumerable policy solutions that an incoming government might consider, particularly one committed to delivering 'the biggest increase in social and affordable housebuilding in a generation'.

Where the weight of research evidence comes together to suggest a clear direction of travel, whether focused on reforms to the right to buy (RTB) or funding a step-change in social housing output, it begs the question of why those policy options are not taken up more often.

The most obvious answer is politics. Members of parliament and advisers continually seek out research to inform their views and develop policy positions, but they also sometimes seek research that supports pre-existing policy positions. If evidence tells a different story, it does not necessarily lead to changed opinions and outcomes.

Evidence and policy

Over the 32 years I worked in the parliamentary library as a housing specialist there were, for example, frequent references to groups 'jumping the housing queue'. In the early 1990s the concern was young women purposefully getting pregnant to access housing; more recently the focus has been on migrants taking homes which might otherwise go to local people. Research disproving these claims and explanations of the complex rules governing eligibility for social housing have never gained traction and myths persist. Strikingly, the previous government's planned reforms to social housing allocations lacked any evidence establishing the need for them.[2]

Obviously, politics has played an important role in the evolution of policy on RTB. Evidence of its depletion of the social rented stock and its deleterious impact on meeting housing need, did not stop prime minister Johnson from supporting its extension to housing associations.[3] The extension was never implemented, but nor were measures to achieve David Cameron's promised one-for-one replacement of homes sold under the 'reinvigorated' RTB. This was despite the shortfall in replacements being forecast in a 2016 analysis by the National Audit Office and officially confirmed by a government statistical release of March 2018.[4]

It clearly helps if recommendations advanced in research have an ideological fit with the government's views, but that is not the whole story.

The power of constituents

MPs are influenced to take up policy issues, investigate research evidence and seek solutions in response to issues raised by constituents. Housing generates a huge amount of constituency-based work for MPs' offices. A critical mass of similar issues raised by constituents can act as an early warning when things are going wrong. When this happens, it has the power to cut through ideology and effect change.

MPs of all parties could not, for example, escape the impact on affected constituents of having to meet the cost of rectifying building safety issues in blocks of flats. Pressure shifted the government position from expecting building owners to meet remediation costs, to legislation and funding to protect long leaseholders. Constituents who are still not protected by the changed policy continue to lobby their MPs. There is a view that MPs' time is too focused on constituency work. In my experience it provides MPs with a real-life evidence base and insight into policy impacts and will always play an important role.

Short institutional memory

I was also struck by how short the institutional memory of government can be, particularly in terms of previous research and policy initiatives. The 1997 Labour government set in motion a root and branch review of the homebuying and selling process to identify problem areas and develop solutions. Extensive research and pilots preceded measures to introduce Home Information Packs (HIPS) in the Housing Act 2004.[5] HIPs were phased in from 1 August 2007. Yet after the 2010 general election the coalition government suspended then abolished HIPs.

Abolition left the issues identified in research unresolved. Fast forward to July 2023 and the government sent out an invitation to take part in a research survey 'looking at ways it can help to improve home buying and selling':[6] definitely a back-to-the-future moment for me, and time to bow out.

Note from the *UK Housing Review* editorial team

Wendy Wilson retired as head of the Social Policy Section in the House of Commons Library in November 2023 after approaching 33 years of service (coinciding with the 33rd edition of the *Review*). During that time she authored/co-authored around 250 research briefings, notes, debate packs and more, bringing up-to-date research evidence to the attention of ministers, MPs and a much wider public – including many academics. Wendy's contribution to housing debate and analysis has been huge, along with that of her colleagues who continue the process. She remains involved in housing issues by serving on the board of LEASE and volunteers as a housing advisor. The *Review* editors invited her to reflect on her work for the Library and the role of evidence in the policy process.

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1 See www.thinkhouse.org.uk

2 DLUHC (2024) *Consultation on reforms to social housing allocations.* London: DLUHC.

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4 National Audit Office (2016) *Memorandum: Extending the Right to Buy*. London: NAO; see also www.gov.uk/government/collections/social-housing-sales-including-right-to-buy-and-transfers

5 House of Commons Library (2010) *Home Information Packs: a short history*, Research Paper 10/69. London: HoC.

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The Scottish Parliament, supported by all political parties, declared a 'housing emergency' in May 2024, after five local authorities had also declaring housing emergencies. These included the two largest – Glasgow and Edinburgh.

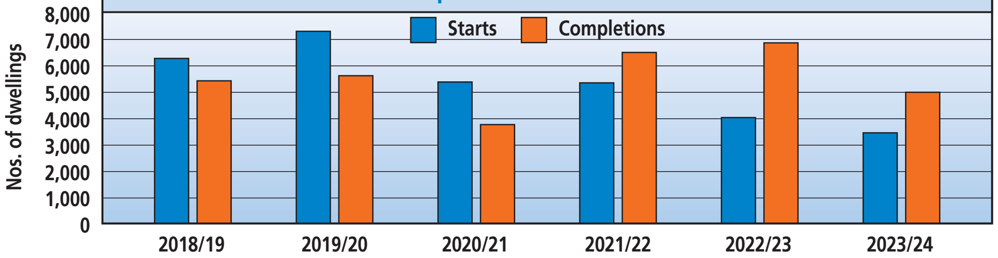
An 'emergency' was signalled by rising levels of homelessness, growing use of temporary accommodation (TA) and acute pressures on local authority homelessness services. Key indicators showed that the situation had deteriorated since the pandemic. Homelessness applications rose to more than 20,000 during April-September 2023, with almost 16,500 assessed as being homeless. Whilst the abolition of 'priority need' categories in Scotland means that more than two-thirds of Scotland's homeless households are single, approaching 10,000 children were being housed in TA. In February 2023 the Scottish Housing Regulator (SHR) warned that some local authorities had difficulty fulfilling their statutory duties; by December, the SHR concluded that 'there is systemic failure in the delivery of services to people experiencing homelessness in some local authorities and an immediate risk in others.'[1]

Other factors contributed to the sense of crisis. With some slippage, the Scottish Government met its 50,000 affordable homes target for the 2016-21 parliament, and the Bute House Agreement between the SNP and Scottish Greens set a higher target of 110,000 over the decade to 2032. However, the Affordable Housing Supply Programme (AHSP) was cut by £163 million for 2024/25 compared to the previous year. While the Scottish Government's total capital budget was reduced by 4.3 per cent in real terms, the AHSP budget fell by 22 per cent.

This occurred as social sector starts and completions fell below the peaks they had reached in 2019/20. In 2023/24 starts fell to 3,500 and completions to 5,043. The Scottish Government's response to the declaration did not involve any 'new' money, prompting CIH Scotland and others to issue a 'National Housing Emergency Action Plan' which called for the cut to the AHSP to be fully reversed.[2]

The Scottish Government launched a Housing Investment Taskforce in April 2024, due to report by March 2025.[3] Composed of a range of stakeholders (including from banking and insurance and private and social housing sectors) and chaired by the housing minister, the taskforce is charged with identifying 'actions that will unlock both existing and new commitments to investment in housing by bringing together key interests of investors and investees.' However, it is notable that the taskforce is expected to 'identify ways to shift the balance of investment in affordable housing to increase private funding'.

Social sector starts and completions in Scotland 2018/19 – 2023/24



Source: Housing Statistics for Scotland.

Rising private sector rents provided a third element to the housing emergency. The ONS rent index suggested that private rents rose more rapidly in Scotland than in any other part of Great Britain – by 16.5 per cent, against 15.2 per cent in London and 12.8 per cent across Great Britain as a whole, over the period September 2022 to March 2024.[4] This was seized upon by opponents of the Scottish Government's rent freeze and its cap on within-tenancy rent increases within the same period.[5] The housing minister responded by observing (correctly) that rent data in Scotland rely heavily on advertisements for new lettings not covered by the cap, so these are not like-with-like comparisons. However, the data do point to strong upward pressure in the rental market.

It is therefore unsurprising that private sector rent regulation remains perhaps the most controversial element of Scottish housing policy. The Bute House Agreement committed the Scottish Government to legislating for 'an effective national system of rent controls with an appropriate mechanism to allow local authorities to introduce local measures',[6] with ministerial responsibility given to the Scottish Greens' Patrick Harvie. The resulting housing bill, published in March 2024, came one month before the agreement was ended and the Scottish Greens left the government.

The bill provides for the introduction of Rent Control Areas (RCAs), reminiscent of the Rent Pressure Zones legislated for in 2016 but never established.[7] The new Bill requires local authorities to assess rent conditions in their areas and report to ministers by November 2026, repeating this process at least every five years. Local authorities can recommend that an RCA be introduced to protect tenants' interests. If ministers agree, rent increases both within tenancies and between them could be limited for up to five years.

Paul McLennan, the SNP housing minister with current responsibility for the Bill, is reviewing its details in response to concerns about its impact on the sector and on local authorities' capacity to implement it.

References

1 See www.housingregulator.gov.scot/about-us/news/regulator-updates-its-thematic-report-on-homelessness-services-in-scotland/

2 See www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/meeting-of-parliament-20-06-2024?meeting=15946&iob=136142; Association of Local Authority Chief Housing Officers, CIH, *et al* (2024) *A National Housing Emergency Action Plan* (www.cih.org/media/blffdqqy/housing-emergency-action-plan-scotland.pdf).

3 See www.gov.scot/groups/housing-investment-taskforce/

4 See https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/meeting-of-parliament-20-06-2024?meeting=15946&iob=136142

5 The rent freeze applied from September 2022 – April 2023. It was replaced by a rent cap which limited rent increases normally to three per cent until April 2024. See the *UK Housing Review 2024* (pp.115-118) for the process for exiting from the cap.

6 Scottish Government and Scottish Green Party (2021) Draft Shared Policy Programme, 3 November (www.gov.scot/publications/scottish-government-and-scottish-green-party-shared-policy-programme/).

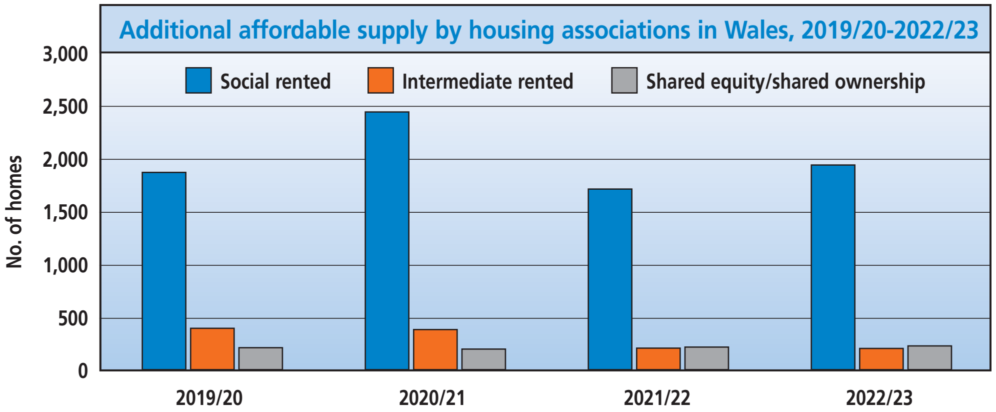
Wales: Changing political leadership – enduring housing challenges

Bob Smith

This year marks a quarter of a century of devolved housing policy in Wales. It has also been a year of political turbulence with three first ministers, a new cabinet secretary for housing (July 2024) and the early ending of Welsh Labour's Co-operation Agreement with Plaid Cymru. Since devolution, Wales has seen distinctive new policies, but some of the most pressing housing problems remain.

Welsh Labour has promised an additional 20,000 low carbon social homes for rent over the period 2021-26. This target is narrower and more challenging than the previous target (which included Help to Buy and Rent to Own output). In the first two years, only 5,775 additional social homes were delivered (75 per cent through housing associations), so the target may not be met. As the chart shows, although output increased in 2022/23, it was still below output in 2020/21. The Transitional Accommodation Capital Programme is helping to deliver homes relatively quickly through acquisitions and conversions, but is only one tool in the toolbox. Social landlords also face competing priorities: decarbonisation of their existing stock, inflationary cost pressures, land and planning constraints and issues of capacity, including in the wider construction industry. Under the previous Co-operation Agreement there were plans to support a publicly owned company (Unnos) designed to assemble land, help raise long-term funding, promote modern methods of construction and support supply chains. However, its future is now uncertain.

An inquiry by the Senedd's Local Government and Housing Committee[1] is looking into fuller use of available government powers, opportunities to scale up delivery and lessons from elsewhere. A report is expected in the next session. It will be interesting to see if there is an appetite for more radical solutions to increase supply. It is also unclear whether a commitment to an Affordable Housing Taskforce by the previous first minister will be taken forward.



Source: Stats Wales data on additional affordable housing provision.

Tackling homelessness remains a priority.[2] The Programme for Government and the Cooperation Agreement both gave a commitment to refocus legislation on prevention and rapid rehousing. A 2023 white paper reflected recommendations from an expert review panel.[3] It proposes a wide range of reforms including ending the priority need and intentional homelessness tests, strengthening prevention duties and setting out new legal duties for various agencies. A Homelessness Bill is expected soon, but much will depend upon increasing social housing delivery. CIH Cymru and others also continue to call for a 'right to housing' in Welsh legislation.

The Senedd continues an inquiry into the private rented sector, which accommodates about 17 per cent of households in Wales.[4] But there are major challenges: rents continue to rise, changes introduced through the Renting Homes (Wales) Act are still being embedded and there are uncertainties as to how the sector can be retrofitted as part of a push towards decarbonisation. A white paper is expected in Autumn 2024. There remains a paucity of data on private renting in Wales – a recurring theme in Welsh housing policy debates.

The Welsh Government Budget for 2024/25 provided significant challenges for public service delivery, although support for social housing grant was broadly maintained (unlike in other parts of the UK); however, inflation has significantly reduced its purchasing power. The Housing Support Grant (the primary mechanism for preventing homelessness and supporting independent living) was initially frozen (and thus cut in real terms) but later increased as a result of lobbying. Nevertheless, in proportionate terms housing's share of government expenditure in Wales is lower than in Scotland or Northern Ireland. During the 2025/26 budgetary debate it will be difficult to secure current spending on housing let alone to increase it in real terms.

With a new Labour Government in England, promising a range of housing and planning reforms and stronger devolution (with plans for a 'Council of the Nations and Regions'), it will be interesting to see the impact in Wales, not least given Labour are now in power both at Westminster and in Cardiff Bay. The Welsh Government has already announced legislation to modernise the planning system. Can it hold its line on not scrapping section 21 no-fault evictions, if Labour at Westminster legislates to do so?

There may now be an opportunity for fresh thinking about tackling the housing challenges in Wales, recognising their interrelationships and ensuring that individual policies are part of a broader and longer-term strategic framework.

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1 See https://business.senedd.wales/mgIssueHistoryHome.aspx?IId=42801

2 See www.gov.wales/sites/default/files/consultations/2023-10/ending-homelessness-white-paper_0_0.pdf

3 Crisis (2023) *Ending Homelessness in Wales: A Legislative Review* (www.crisis.org.uk/media/uqgbuwpp/ending-homelessness-in-wales-a-legislative-review.pdf).

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Northern Ireland: the limits to devolution

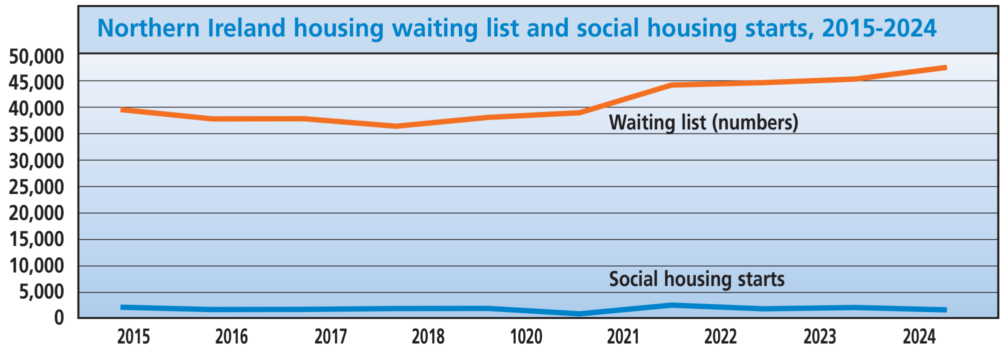
Joe Frey

The return of the Northern Ireland Assembly in February 2024 after a two-year absence understandably gave rise to some optimism among housing professionals who had been facing an uphill struggle in dealing with Northern Ireland's housing crisis. In particular, it raised the possibility that the Department for Communities (DfC) draft Housing Supply Strategy, published in December 2021, might at last be approved. However, the appointment of a new minister for communities from the Democratic Unionist Party, a party with a more private-sector orientation, raised the possibility of de-emphasising the role of social housing, given the ongoing constraints on the public purse.

Initial optimism was short-lived. In June, the Assembly's Committee for Communities was told that a cut of almost 40 per cent in the DfC capital budget would mean that funding to start a maximum of only 400 new social housing units was available in 2024/25 – a stark contrast to the most recent three-year average annual figure of 1,725. A subsequent announcement of an additional £20 million (on top of the initial allocation of £116 million) did little to reduce the despondency.

The DfC's Equality Impact Assessment (EQIA) for its budget then confirmed its capital funding as £133.4 million – a 38 per cent cut compared to 2023/24. Its total resource budget of £856 million represents a reduction of just 0.6 per cent, with funding for welfare mitigation, including mitigating the 'bedroom tax', provided in full, and increased funding for Supporting People (SP). However, a shortfall in non-ring-fenced resource funding of £116 million 'will undoubtedly have a continued and adverse impact on the Department's ability to deliver public services in 2024-25'.[1]

The Northern Ireland Housing Executive's response to the EQIA highlighted the devastating effects of the indicative budget allocations for 2024-25.[2] They pose 'significant risks for a number of strategic programmes and services', including inadequate funding for homelessness services to meet statutory obligations, the largest cut in new build at a time when the social housing waiting list has reached new heights (see chart), a significant reduction (£6.8 million) in the Affordable Warmth scheme that targets households in fuel poverty, and an inability to fully implement the SP strategy despite increased funding.



Source: DfC statistics.

In the private sector the news is somewhat more positive. Following a sharp drop (28 per cent) in the number of new starts in 2022/23 compared to the previous year, starts increased by six per cent to 5,289 in 2023/24. However, this is still well below what is widely considered to be required to meet both pent-up and ongoing future demand. In addition, the total number of new homes completed in 2023/24 (5,418) was the lowest in more than 50 years.

Both leading house-price indices for Northern Ireland showed limited increases in average prices between Q1 2023 and Q1 2024 (4 per cent and 2.4 per cent respectively).[3] Given higher mortgage interest rates and cost of living increases during 2023/24 the modest increase in house prices appears somewhat counterintuitive. However, prices are undoubtedly supported by the shortage of new dwellings in areas of high demand and in real terms they represent price reductions. The 11 per cent fall in the number of completed sales in 2023/24 compared to 2022/23 testifies to the shortage of homes for owner-occupation.

In contrast to falling real house prices, rents have continued to increase faster than inflation, reflecting the ongoing dearth of rental accommodation. The most recent snapshot of the market by PropertyPal (the leading local property portal) for April 2024 estimates that average advertised rents for newly listed properties have increased by 10.2 per cent in 12 months.[4]

This brief analysis of key indicators of Northern Ireland's housing system confirms that its crisis is deepening. However, it also demonstrates the limitations of devolution at a time of growing economic and political uncertainty, compounded by the election of a new UK government committed to controlling government borrowing and taxation. The Northern Ireland Assembly also appears to have a limited appetite for increasing local taxation, fearing the consequences for purchasing power and political popularity.

In all likelihood, therefore, the chronic undersupply of new housing (private and social) will continue for the foreseeable future. There are nevertheless a number of government interventions which could make a significant difference in the medium term, including additional resources and flexibility for Northern Ireland's planning system and granting the Housing Executive more freedom to borrow and more effective powers to assemble land. A step in the right direction in September was the publication of a draft Programme for Government 2024-2027, with a commitment to 'provide more social, affordable and sustainable housing'. The challenge will be to deliver on this in a meaningful way.

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3 The indices use different methodologies. The NI Statistics and Research Agency utilises a hedonic methodology to produce a standardised house price (4 per cent increase) www.nisra.gov.uk/statistics/housing-community-and-regeneration/northern-ireland-house-price-index; Ulster University uses a mix-adjusted weighted average (2.4 per cent increase) https://www.ulster.ac.uk/research/topic/built-environment/research-property-planning/housing-market-reports/house-price-index

4 See https://content.propertypal.com/propertypal-monthly-market-snapshot-april-2024/

Updates to the 2024 Compendium of Tables

John Perry and Gillian Young

Alongside the preparation of the Briefing Paper, a significant proportion of the Compendium of Tables in the main *Review* has been updated. The revised tables are listed below. The new versions can be seen and downloaded at the *Review's* website, www.ukhousingreview.org.uk

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The ***UK Housing Review*** published each year provides a key resource for managers and policymakers across the public and private housing sectors. It is now in its 32nd year.

The ***UK Housing Review 2024*** Autumn Briefing Paper updates key issues and data from this year's full ***Review***, focusing on issues that confront the new government at Westminster:

- *The economy and the UK's fiscal position*
- *Prospects for shifting housing subsidy towards investment and away from benefits*
- *The new government's housing target and whether it can be met*
- *The housing market, first-time buyers and reform of the right to buy*
- *Regulation of private renting and prospects for council tax reform*
- *The 'net zero' challenge*
- *Temporary accommodation for homeless households and for asylum seekers*
- *Reflections on 'evidence-based policy making' in government.*

The Briefing Paper also takes a closer look at housing in Scotland, Wales and Northern Ireland.

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