

**HOUSING VOICE**  
THE AFFORDABLE  
HOMES ALLIANCE



# **TO HAVE OR HAVE NOT?**

## **Taking responsibility for tomorrow's affordable homes today**

**Independent Inquiry into the Affordable Homes Crisis**

**September 2012**

## Housing Voice Inquiry Sessions

The Inquiry was chaired by Lord Larry Whitty and sessions were held in:

- South West: Exeter
- North: Manchester
- Midlands and East: Birmingham
- London and South East: London

Housing Voice panel members and key contributors:

- Stephen Gilbert, MP for St Austell and Newquay and Chair of the APPG on Housing
- Nick Olgard, UNISON South West Regional Council
- David Rodgers, Chief Executive, CDS
- Mo Baines, Manchester Branch President, UNISON
- Simon Danczuk, MP for Rochdale and Member of CLG Select Committee
- Heidi Alexander, MP for Lewisham East and Member of CLG Select Committee
- Dave Prentis, General Secretary, UNISON
- Steve Hilditch, London Labour Housing
- Michael Ward, Independent Consultant
- Helen Collins, Chair, Chartered Institute for Housing
- Mark Pawsey, MP for Rugby and Member CLG Select Committee

Housing Voice Inquiry Advisory Group:

- Citizens Advice
- Child Poverty Action Group
- CDS Co-operatives
- National Housing Federation
- NUS
- Sitra
- TPAS
- TUC
- UNISON

Full reports on each of the four oral hearings and all the written evidence is available in Volume II - please go to [www.housingvoice.co.uk](http://www.housingvoice.co.uk)

# Contents

**Chair's foreword**

**1. Overview and summary**

**2. What we heard about the affordable homes crisis**

**3. What needs to happen next: recommendations and conclusion**

Appendix I: Terms of Reference

Appendix II: List of those giving evidence to the Inquiry

Appendix III: Results of the Housing Voice survey

## Chair's foreword

Housing Voice was established to help drive the issue of affordable housing, in its widest sense, higher up the political and public policy agenda. Our Inquiry brought together voices and experience across civic society and from all housing sectors. Our Advisory Group, panel members and those individuals and organisations giving evidence provided invaluable insight, expertise and commentary. My thanks to you all.

Our Inquiry report and recommendations reflect the voices and opinions we heard but should not be taken as committing any organisation or individual to all of our conclusions.

It is clear from the evidence received, both orally and in writing, that the housing market throughout England is in a state of serious dysfunction and all sectors face a crisis of affordability. In particular, new entrants and households on low to middle incomes face real difficulties and challenges because of the affordability crisis in housing.

Our evidence showed that in the dominant owner occupied sector, house prices have risen at three times the rate of wages over the past decade and are more often than not beyond the reach of even those on average incomes or below. Even where house prices are lower, the deposits demanded for mortgages make home ownership an unrealistic option for first time buyers who do not have access to personal capital or savings. There are problems too for many of those who bought their home at the height of the housing boom and are now trying to move because they have been offered a new job elsewhere, or need extra space because their family is growing.

In the social housing sector, availability has shrunk dramatically. In England there are over one million fewer homes available to rent than in 1979 and waiting lists, at 1.8 million households, are up 80% since 1997. Offers of new social tenancies are at an all-time low and in areas of high housing stress the chances of coming off the housing list into a local property, or moving to more appropriate accommodation within the social housing sector, are slim. Meanwhile, largely as a result of deliberate central government policy, social rents are also rising rapidly with a squeeze on the incomes of working tenants and consequential rise in Housing Benefit costs.

The private rented sector, previously in decline for many decades, has now become a major provider of housing. But the economics of the sector are fragile for both tenants and landlords and rents have been rising fast. So too are the costs of service charges for longer term leaseholders of flats whether their leases are with private owners or social landlords.

The unavailability of both social housing and affordable mortgages creates pressures on the private rented sector, which is growing in significance by default. As a consequence, choice is more limited and costs are higher.

For many, the private rented sector is their only choice and it can be more difficult to put down roots and save for a deposit. The differing forms of tenure and their rigidities make it difficult to move from one sector to another. The housing journey enjoyed by the majority in recent decades risks being much longer to start and those that become home owners will do so for a truncated period.

Population growth, significant changes in the structure and durability of households – reflecting multiple societal trends from increased longevity to internal and inward migration to family breakdown and disintegration, and reformation of family units – and underperformance on the supply side mean that household formation has massively outpaced the growth in the number of new homes. This in turn creates further upward pressure on housing costs.

Because of all this, mortgage costs, deposit requirements, private rents, service charges and social rents are all rising significantly more rapidly than incomes. And thousands of households remain in housing need.

These trends cannot continue. It is clear that substantially more homes need to be brought to the market, which can be afforded, in all forms of tenure. Inevitably, there is a need to find new ways to mobilise additional resources for housing in both the private and the public sectors.

We were also unimpressed by suggested 'solutions' that 'solved' the problem in one sector at the expense of another. The most recent example being the Montague Report which proposes changes to incentivise large scale investment in the Private Rented Sector, but at the expense of first time buyers and social housing.

Unlike the eras of Aneurin Bevan, Harold MacMillan or Richard Crossman, government intervention in housing over the last three decades has primarily been linked to policies regarding change of tenure. We have witnessed Right to Buy and shared ownership schemes; changes of landlord or management, stock transfer and ALMOs; the decent homes standard and, in the owner occupied sector changes to process, with the ill-fated HIPS scheme, rather than any solid measures to increase supply. However attractive this tinkering might have appeared, now is clearly the time to focus on the main issue – the need for at least a quarter of a million new homes to come to the market, mainly through new build, each year for the next twenty years.

The central fact remains that we need to build new homes at twice the rate we are currently. It will require good construction standards and it can be done without either concreting over the countryside or 'infilling' in already overcrowded areas.

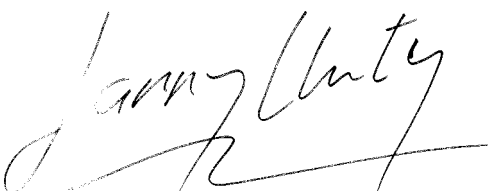
Policy makers need to give equivalent attention and esteem to all forms of tenure. Full freehold ownership is the preferred choice and aspiration for most people but not for all and is not attainable for many. We need to end the residualisation of social housing (and the demonisation of social tenants). And we need to have a constructive strategy for the Private Rented Sector which is certain to be of increasing importance in the decades ahead. We also need to ensure that the problems of leaseholders and the possibilities of new forms of individual and collective tenure warrant the consideration they deserve by policy makers.

In this report Housing Voice makes a range of recommendations and proposals for action in the short and medium term. I am confident that our findings and propositions represent a coherent attempt to start a new strategic approach and embrace new and innovative solutions to the affordable housing crisis. They do, of course, require resources in both the public and the private sector and we do not ignore the need to find new ways of mobilising scarce resources.

It is clear that there are no quick fixes and that more new and innovative thinking is needed if we are going to stem the urgent need for new and affordable housing. That is why we also propose the setting up of a National Commission on Affordable Housing to look at a longer term strategy to tackle the affordable homes crisis.

Our report and recommendations views housing policy in its wider context, and we urge policy makers to do the same. Housing must be seen as a major generator of economic growth. Above all, housing is crucial to achieving balanced communities and our social and environmental wellbeing. All it requires is political priority and political will at local and national level.

I hope our report will help raise the profile of affordable housing higher up the political and public policy agenda and that its proposals will be taken seriously by the Coalition Government, political parties, the media and the wider general public.



**Lord Larry Whitty**  
**Chair of the Housing Voice Inquiry**



## 1. Overview and summary

The Housing Voice Independent Inquiry into the Affordable Homes Crisis set out to gather evidence from across England and to hear from ordinary people as well as professionals and politicians. We deliberately wanted to engage the civic voice, to hear what people on low to middle incomes feel about the affordable housing choices available to them and their families, and to develop policy recommendations that would address their housing needs.

Our working definition of “affordable housing” is:

***comfortable, secure homes in sound condition that are available to rent or buy without leaving households unable to afford their other basic needs (e.g. food, clothing, heating, transport and social life).***<sup>1</sup>

By the term “affordable housing”, the Inquiry focusses on all types of housing, including owner occupation and not, as is sometimes the case, purely on social rented housing.

The Housing Voice Independent Inquiry held four sub national oral hearings in the South West, the North, the Midlands and London and the South East. All were attended by a cross section of private, public and third sector organisations, from tenants groups to developers, and from trade unions to policy experts. Members of the public also contributed to hearings and participated in the Inquiry via an online and paper survey, administered by Citizens Advice. All in all we received more than 60 written or oral submissions and over 3,000 people took part in the survey (full details of those who gave evidence and the results of the online survey can be found in Volume II and in the Appendices). Quotes from the Citizens Advice survey are used throughout the report.

Whilst the Housing Voice Inquiry into the Affordable Homes Crisis was confined to England, we have recognised that the housing situation in the devolved nations shares many of the same characteristics and problems. We have, where possible, sought to note areas of good practice in the devolved administrations that have been presented to us by bodies that have memberships and interests throughout the UK.

---

<sup>1</sup> Our definition of affordable housing should not be confused with the current Affordable Rent model of housing. As discussed later in the report, there are issues about the affordability of housing that is let at rents which are up to 80% of the market rate.

During the course of our Inquiry, not only did the Government publish its Housing Strategy, *Laying the Foundations*, the CLG Select Committee also released its report on “*Financing of New Housing Supply*.” A great many other housing related reports have been issued including those by the IEA, IPPR, JRF, CIH, Shelter, NHF, Policy Exchange and more. Wherever possible we have referenced these.

Many of those we heard from made comments, or drew on these pieces of work, but this report is not intended as a commentary on others’ views. It is, instead, a starting point for a new approach that recognises the urgency of the current situation for those seeking affordable housing, and the need for a more sustainable and consensual approach to meeting the nation’s housing requirements in future years. As we went to print with our report the Government published the latest in a line of proposals to boost house building.<sup>2</sup> Whilst some elements of this package are welcome, our approach seeks to present a longer term perspective and place a far greater emphasis on affordability.

### Taking responsibility: policy and political context

There are significant problems around the supply and availability of affordable housing for ordinary households on low to middle incomes. It is clear from our findings, that for generations in housing need - today and tomorrow - this affordability crisis requires both recognition and urgent government action.

A key proposition underlying our Inquiry, and one that informs our recommendations, is that government at local and at national level has a moral responsibility to ensure that there is an adequate supply of decent housing and to support those households whose needs are not being met by the housing market (typically those on low to middle incomes).

In previous eras this has not just been accepted policy, it was regarded as common sense and, moreover, a necessary precondition for economic and social advance. Governments adopted various approaches, but their commitment and responsibility was not in dispute.

---

<sup>2</sup> On 6 September 2012 the Government announced a package of measures that include: offering to guarantee up to £10bn of loans; allowing developers to challenge Section 106 agreements; increasing capital funding by £300m; and extending the FirstBuy scheme.

The Labour Party is the Party of the Working Home. In 1924, it revived the policy of building houses to be let not sold. It will return to that policy until there are enough houses let at working class rents.

**Labour Party manifesto, 1929**

We will go ahead with the provision of healthy homes for the people at reasonable rents, until the needs of the nation are fully met. **Labour Party manifesto, 1935**

There is a house famine in the land, Liberals will not be satisfied until there is a separate dwelling for each family at a reasonable rent. This can be achieved only by a completely new approach, applying to housing the same drive as was used to produce aircraft and munitions of war. The responsibility should be placed on a Minister of Housing and no vested interests can be allowed to stand in the way. Local authorities must be enabled to borrow at a low rate of interest, and in no part of the country be allowed to ignore their obligations.

**Liberal manifesto, 1945**

Housing is the first of the social services. It is also one of the keys to increased productivity. Work, family life, health and education are all undermined by overcrowded homes. Therefore a Conservative and Unionist government will give housing a priority second only to national defence. Our target remains 300,000 houses a year. There should be no reduction in the number of houses and flats built to let, but more freedom must be given to the private builder. In a property-owning democracy, the more people who own their homes the better.

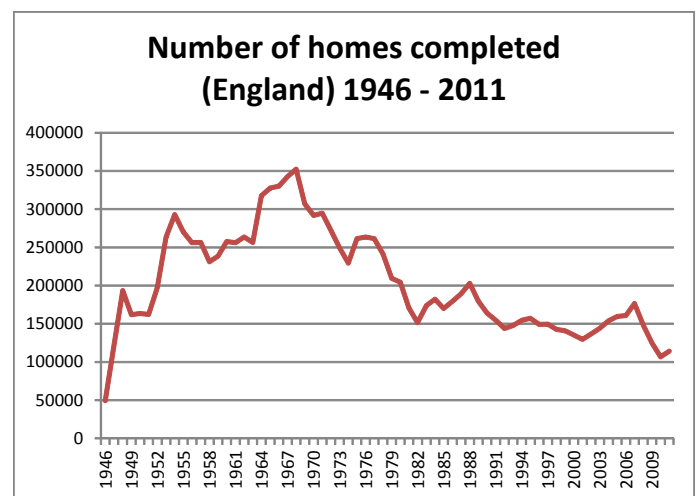
**Conservative Party manifesto, 1951**

In the post war period councils were directed to build homes that would be let at low 'social' rent. For many years during this period the number of new homes built, under Conservative and Labour governments, exceeded 250,000. This was followed by a period during which tax relief on mortgage interest payments (1963 -2000), Right to Buy (1979 – present) and measures which led to a growth in the availability of credit opened the door to homeownership for many and a belief that the housing market would respond to need.

However during this period the UK witnessed a reduction in the number of homes built overall. In parallel the number of homes built by councils and housing associations declined significantly, as the government switched the emphasis of public expenditure from capital (e.g. new council and housing association homes) to revenue (Housing Benefit).

The total number of new homes completed in 2011 was just 114,000 (86,000 by the private sector and 28,000 for social housing, increasingly at higher rents that creates further upward pressure on Housing Benefit and with less secure tenancies). This is nearly 240,000 less than the 353,000 reached at the peak in 1968 (203,000 by the private sector and another 150,000 by councils and housing associations).

In broad terms the direction of policy has been towards the proposition that the housing market will deliver for all but the most needy, who will be supported through Housing Benefit and a shrinking social housing sector. However, as our report findings demonstrate this is most clearly not the case.



Source: [http://research.dwp.gov.uk/asd/asd4/budget\\_2012\\_300712.xls](http://research.dwp.gov.uk/asd/asd4/budget_2012_300712.xls)

# THE HOUSING VOICE INDEPENDENT INQUIRY INTO THE AFFORDABLE HOMES CRISIS

## Volume I • Inquiry Report and Recommendations

Even before the current downturn the market has not been building the right number and the right types of homes for our changing demography; affordability is a growing problem for households on low to middle incomes; and many, particularly younger families, now find themselves in unsuitable and insecure private rented accommodation.

We hold firm to the view that the housing requirements of those in most need should be a priority for the Government. But we also believe housing policy has to be reinvigorated by a fresh commitment and sense of government mission to ensure sufficient new homes are being provided and to help those whose needs are not being met by the market, primarily those on low to middle incomes.

In policy terms we are not calling for a return to the 1940s. Our recommendations make it clear that the sense of Government urgency we seek can be met in a number of ways, such as measures that help people enter the housing market (including through co-operative models of home ownership) and making the private rented sector fit for purpose. Both intermediate housing (rented housing let above social rent but below market rates) and shared ownership also have a role to play. This should not, however, be a substitute for social rented housing, which despite its relative decline over recent years, remains a central part of the equation going forward.

We acknowledge that our central proposition, that the government needs to take greater responsibility for supply and do more to support those whose needs are not being met by the market, overlaps with other important current policy issues, including devolution of political power to local communities and the role of housing in the economic recovery. Our Inquiry received strong evidence and a number of useful case studies to support the argument that local authorities can and should play a far greater role in meeting housing need and demand. Local authorities already carry out strategic housing market assessments, have powerful planning tools and, in many cases, land at their disposal. Under the Localism Act, local authorities have a general power of competence and responsibility for putting in place allocation policies and tenancy strategies. In addition, as we found during our Inquiry, many local authorities want to play a greater role and are more sensitive to the balance between development, sustainability and the needs of communities than central government. As such, changing the financial framework to recognise investment in assets that generate future revenue streams (rents) and placing a clear duty on local authorities to meet need and demand could be decisive.

If the current trend toward localism is to be part of the solution to the affordable housing crisis government will need to give local authorities more responsibilities and more powers.

It was obvious to us throughout the Inquiry that the economic situation provided both risks and opportunities. The Government's commitment to eradicating the budget deficit over the short term, and the belief that this is the only way to maintain economic confidence and low interest rates clearly has implications for any housing policy proposals that require public funding. However, our recommendations demonstrate that the opportunities, in terms of jobs and the major boost that house building provides to the economy, outweigh the risks. Failure by Government to act has the potential for far greater cost - a weak recovery, continued susceptibility to household debt bubbles and the social, health and environmental costs of poor housing.



## Summary of findings

- 1. There is a shortage of affordable housing and new house building is not meeting need.** In all regions the availability of affordable homes is not keeping up with demand, which is creating an upward pressure on housing costs. This is leading to overcrowding, sharing and people being forced to put off setting up home, either by themselves or as new families. This situation is being made more challenging by social and demographic changes, with more people living alone and increasing numbers of older households.
- 2. Affordability is a major problem for many looking for a home in all regions.** Although there are specific problems in London and the South East, we found that cost pressures can also be found in other urban and some rural centres. For example the South West faces a clear affordability crisis and also the most significant hostility to new development, whilst parts of the North are finding it hardest to deliver the Government's 'Affordable Rent' housing programme.
- 3. The link between housing and the wider economy is of fundamental importance.** Building new housing now, when construction is otherwise in recession, will create jobs and help stimulate growth. A housing system with more affordable housing options will help household budgets and reduce unsustainable household debt. Current government measures are not going far enough to recognise this important opportunity.
- 4. People's aspirations to become home owners remains strong.** But for many on average and low incomes, the level of monthly repayments and the need to find a high level of deposit are barriers to accessing ownership, even where house prices are relatively low. The decline in home ownership is unlikely to reverse in either the short or the medium term due to the "seizing up" within the mortgage market following the credit crunch. The average age of first time (unaided) buyers has increased from 28 to 37 over the last 15 years. If this trend continues, it will not be long before those buying homes will no longer be able to access a traditional 25 year mortgage because they will be in their 40s.
- 5. The current direction of housing policy has significant consequences for the way society will develop in the future.** The ideal of mixed communities is being eschewed. Many of our cities, towns and villages are becoming more segregated. Welfare and social housing reforms are making matters worse. Those on low wages are facing ever longer journeys to work. The intergenerational bargain no longer holds, with many younger people living longer at home and large numbers of older people stuck in larger family homes that are expensive to maintain and repair.
- 6. The social rented sector is becoming increasingly residualised.** There are not enough local authority and housing association homes, at social rents, to meet housing need. Housing associations and local authorities in England have over one million fewer homes to rent than in 1979. Waiting lists in England stand at over 1.8 million. There are concerns about the scale of the Government's current social housing programme, the operation of the 'Affordable Rent' model, under which homes are let at up to 80% of market rates, and the introduction of shorter term, less secure tenancies.
- 7. Much of England is becoming increasingly reliant on the private rented sector** to meet housing need as a consequence of the problems in the mortgage market and the decline in the availability of social rented housing. The private rented sector still has the highest number of homes failing to meet the decent homes standard and is the sector characterised by the most insecure tenancies.
- 8. Significant barriers exist to building more affordable housing** including the availability of appropriate **finance** (for home seekers or for developers and providers); the scarcity of affordable **land** (especially in the crowded South East) and the operation of the **planning** framework.
- 9. There has been a sustained failure by successive governments to keep housing supply in line with demand.** This was partly about policies not working, and partly about housing not being a high enough political priority.
- 10. There are examples of best practice and good ideas that can be developed further and spread more widely to help address the need for more affordable housing.** These include examples of effective use of public sector land, cross subsidy to support a range of affordable housing and use of innovative forms of tenure, such as co-operative housing.

## Summary of recommendations

We believe that the urgency of the situation faced by the growing number of those in housing need and the huge economic benefits of house building means that there is a need for rapid action by government and housing providers.

**We need to commit ourselves now to a target of creating a minimum of a quarter of a million new homes every year for the next 20 years with a significant proportion being affordable.**

The Inquiry recognised that for some of the housing challenges such as availability of land, space constraints in London and the South East, and the question of how our housing system responds to the ageing population, it will take at least 20 years to achieve real change and meet housing need. In this context and recognising the urgent need to tackle the housing affordability crisis sooner rather than later, the Inquiry recommends:

- an emergency package of measures, to be implemented immediately;
- a medium term programme - over three to five years, consisting of measures requiring legislation or support through the next Comprehensive Spending Review;
- a National Commission on affordable housing (to report by 2015) to consider the bigger structural barriers that have mitigated against the delivery of affordable housing and to generate public debate around the bigger housing challenges faced by the country.

### 1. An emergency package

- Immediately increase the Homes and Communities Agency Budget for 2012/13 by £0.5bn; 2013/14 by £1bn and 2014/15 by £1.5bn with resources targeted at social rent;
- Earmark at least £5bn of the recently announced (July 2012) £50bn increase in Quantitative Easing to purchase low interest Housing Bonds or other measures that have the same effect;
- Accelerate the release of public sector land (especially local authority land) for affordable housing. This should include homes for social rent, co-operative and intermediate housing;
- Remove uncertainties that discourage councils from pressing ahead with new build programmes;
- Take urgent action to help people with mortgage deposits;
- Encourage local government to introduce landlord accreditation in the private rented sector.

In addition, three other changes need to be started now which will pay off in the medium term:

- Enhance political responsibility for housing. The Housing Minister should attend Cabinet and local authorities given robust strategic responsibilities and powers;
- Defer the incorporation of Housing Benefit into Universal Credit;
- Start to mobilise pension funds to provide finance for both private and social housing.

## 2. A medium term programme

Measures in the next Comprehensive Spending Review:

- The adoption of the General Government Financial Deficit (GGFD) – which would allow councils greater freedom to invest;
- Budget for Affordable Housing increased to £4.75bn a year;
- Introduction of fiscal and other disincentives, using Council Tax, Capital Gains Tax and Land Value Tax, to stop homes being purchased only to stand empty; stop land with planning permission remaining undeveloped; and to bring empty properties back into use after 18 months;
- Explore how bonds issued by the European Investment Bank (EIB) to provide finance for housing investment;
- Re-introduce Repairs and Improvement Grants and review the tax treatment of private landlords to incentivise repairs, improvements, better management and longer tenancies;
- Revisit and update the introduction of an ‘investment allowance’ for Local Authorities;

Other medium terms legislative and regulatory measures:

- Local authorities statutory duties enhanced to include a duty to ensure that the housing needs of their locality are met;
- A new statutory system of Private Rented Sector regulation, e.g. more guaranteed minimum standards for tenants including increased security of tenure with 24 months notice becoming the norm not 6 and safeguards against extortionate rents being charged;
- A framework that encourages Pension Funds to allocate a proportion of asset holdings to Affordable Housing;
- Introduce into law a new tenure of co-operative housing.

## 3. Long term: A National Commission on Affordable Housing

The proposed National Commission on Affordable Housing would look at the big strategic questions ahead and seek to construct a longer term strategy that ensures that housing supply keeps up with demand.

**The National Commission on Affordable Housing would report before the General Election in 2015.**

## **2. What we heard about the affordable homes crisis**

### **2.1. There is a shortage of affordable housing and new house building is not meeting need**

In all regions we noted that the supply of homes was not keeping up with the need for decent affordable homes.

A number of respondents to the Inquiry pointed to the Government's own figures which project household formation in England at an average rate of 232,000 per annum up to 2033, and statistics which show that the combined number of new homes being delivered each year has averaged 143,802 over the last 20 years (1992-2011).

We heard that demand for homes in Birmingham was at an all-time high, with the population expected to rise by 100,000 by 2016, creating a need for an additional 50,600 new homes.

In Exeter, the South West Housing Initiative told us that new household formation was running at approximately 27,000 a year, but that for many years provision had significantly fallen below need.

At our Northern hearing held in Manchester, the Northern Housing Consortium (NHC) provided evidence showing that in addition to population growth, changes in age structure and also household types were playing a significant role in generating need for new homes. They suggested that whilst the growth in households would require additional housing of all types, it was important that we delivered the right type of housing, for example taking account of the growth in one person households and the ageing population.

Whilst the lack of housing supply was an issue for all regions, we heard from a number of organisations, including the Residential Landlords Association (RLA), that this was at its worst in London, the South East and other 'hot spots'.

At our London hearing the Home Builders Federation (HBF) told us that the crisis in supply was evident in all markets: owner occupation, social rented and the private rented sector. The National Housing Federation (NHF) evidence we received demonstrated how the lack of

supply of social housing had resulted in waiting lists in London reaching over 360,000. Last year just 18,310 homes were built in London, but the Mayor's London Plan requires a minimum of 32,210 new homes every year. An extra 800,000 households are expected to need homes in London by 2033.

**“The housing crisis is likely to continue and get worse. Home ownership will decrease, waiting lists will go up and so there is a profound problem”**

**Derek Long, NHF**

We were told that there are other routes to the market for new homes other than just new build, conversion of large houses or office blocks into flats, reducing the number of empty properties, or the number of second homes and holiday lets. But although these options may have some impact at a local level we found that the total impact is fairly limited and the vast majority of new homes will need to come from new build.

The consequences of this apparent failure of housing supply to match demand were made clear to us in much of the evidence we received. We were told that overcrowding was a major problem, with examples including whole families living in one room, four families living in a three bedroom ex-council house, a young man studying for his A-levels who slept in an armchair and some forced to live in sheds and other outbuildings.

UNISON told us about the increasing number of their members who had grown up children living at home. Their membership survey revealed that out of their members aged 45 to 54, 54% had grown up children living at home. Of those aged 55-65, 32% had grown up children living at home.

Housing Build (average annual totals)			
	PRIVATE	SOCIAL	TOTAL
1940s	30,390	101,065	131,453
1950s	82,261	150,894	233,157
1960s	177,594	123,546	301,138
1970s	141,303	116,235	257,537
1980s	136,249	44,068	180,317
1990s	124,704	25,716	150,419
2000s	127,947	18,999	146,947
2010	84,440	23,660	108,150

Source: <http://www.communities.gov.uk/documents/housing/xls/2145753.xls>

## 2.2. Affordability is a major problem for many looking for a home in all regions

We heard that there was a direct link between housing supply and lack of affordability. We received evidence demonstrating that cost issues had led to a significant erosion in the housing choices available to households on middle and low incomes in many parts of the country. This is more extreme in London and the South East, but we received evidence from all regions we visited to support the view that many are struggling with steep housing costs.

### Why the affordability crisis is most acute in London?

- House prices in London remain near pre-credit crunch levels and 40% higher than in 2005. The average cost in the capital is £359,476 whereas elsewhere prices are on average lower at £161,777 (Land Registry).
- Private rents are rising higher than the national average and are now more than 60% above the average for the rest of England (GLA).
- The social housing sector is extremely squeezed; 362,289 households, or over 800,000 people, are waiting for social and affordable homes in London (NHF).
- Homes bought as commodities are a far more serious issue in London than elsewhere. The Smith Institute found that investment in luxury homes has doubled to over £5bn a year, accounting for five times more than the annual investment in affordable homes in London and a third of all loans made for house purchases.
- In total over 60% of new homes in central London are currently being bought by overseas investors. Anecdotal evidence suggests that a high proportion are kept empty.

**“Successive governments have failed to recognise the significance of the housing crisis in London. Without access to decent affordable housing; kids can’t learn and parents can’t work. This is a serious if not urgent problem which must be tackled”**

Heidi Alexander MP

The Building and Social Housing Foundation (BSHF) told us that there has been an increase in the percentage of household expenditure on household costs (excluding mortgage interest) from 15% in 1970 to 21% in 2009, though within that average there are significant variations by income, geography and tenure.

Independent polling undertaken by Housing Voice suggests that those in the social category C2DE pay on average 37% of their income on housing costs (compared with 35% among ABC1s). This figure rose to 40% for London (compared with 35% in the Midlands). For those in the private rented sector the figure was 43% (compared with 35% for those paying a mortgage). The Housing Voice Citizens Advice survey suggests that 37% of people are paying more than 50% of their income to meet their housing costs.

We were told that rents in London are rising at a level of 4.9% per year with the average monthly rent now above £1,000. In England as a whole rents are rising at 2.4% with the average rent now above £700 per calendar month. This is at a time when wage levels are frozen for many, real wage levels are in decline, and when inflation for household essentials remains high.

The Inquiry heard that a major cause of concern is what is happening to the first time buyer market. In most of London and the South East, as well as many other urban ‘hot spots’ and popular rural areas, prices are prohibitively high, making home ownership unattainable.



**2.3. The link between housing and economic recovery is of fundamental importance**

We received a wide range of evidence demonstrating that the economy and housing are interlinked in a number of important ways. Many suggested that addressing the need for affordable housing would help get the economy back on track.

**“The current economic climate of unemployment coupled with higher prices is very tough on homeowners and potential homeowners.”**

**a Civic Voice**

We heard that the construction industry has been the hardest hit sector over the course of the double dip recession, with a decline in output over the last year and unemployment in construction reaching peak levels.

UCATT told us that the construction industry had been in recession for four years. Reductions in workloads had resulted in falling employment and very high levels of redundancies in construction:

Redundancies in UK construction	
2008	112,000
2009	166,000
2010	92,000
2011	71,000
<b>TOTAL</b>	<b>441,000</b>

Source: ONS, Labour Market Statistics, February 2012

The Northern Housing Consortium (NHC) told us that one of the welcome elements of the Government’s Housing Strategy was its recognition of the relationship between housing and economic growth. However, they also suggested that the Government (and previous administrations) had not recognised the full extent of the on-going economic contribution of the housing sector.

They pointed out that the fall in housing activity represented the difference between the economy now being in a double dip recession and remaining very slightly in growth. Their evidence suggested that spending on housing investment creates jobs, reduces unemployment and benefit spend, and increases the tax take.

Oxford Economics calculated, for the NHC, that the multiplier effect means that for every £1 spent on housing, whether public or private, £1.40 of economic activity is generated.

The *Montague Report*, published during the final writing up stage of our Inquiry, suggests a higher figure of £2.60. “...construction also supports more jobs than investment in many other sectors of the economy due to related activity. Every £1m of new housing output supports 12 additional jobs - 7 directly and 5 indirectly - per year. It has been estimated that, for every £1 invested in the construction industry, £2.60 is generated elsewhere in the supply chain.” (Source: Montague Review of the barriers to institutional investment in private rented homes; DCLG; August 2012)

The National Housing Federation suggested that the impact on jobs of investment in housing could be significant. They suggest that investment that delivered an additional 10,000 affordable homes would mean an additional 75,000 jobs, and a contribution of £4bn to the wider economy. It would also lead to savings in Jobseeker’s Allowance and Housing Benefit of £290m. Both the Chartered Institute of Environmental Health and UNISON highlighted potential jobs growth that would come from more appropriate housing management and regulation of the private rented sector.

The link between housing costs and wages, and their interaction with the wider economy, was also commented upon. We were reminded that this had clear significance for the debate about how we rebalance the economy. A number of respondents pointed to the link between the well documented fall in the share of national income received by those on low to middle incomes and the rise in household debt. A significant proportion of this debt was accounted for by large mortgages, relative to incomes, which in turn were a major component in fuelling the financial crisis. The labour market provided a further central linkage between housing and the economy. The Building and Social Housing Foundation (BSHF) told us that they had conducted research showing that working households were increasingly having difficulty in paying for their housing, and that the number of in-work Housing Benefit claimants had doubled in three years to 903,000.

UNISON Northern Region suggested that increased labour market flexibility and insecurity was having a significant impact, with the introduction of zero hours contracts and short term contracts resulting in individuals not being able to predict their income for any length of time. This in turn affected the capacity of people to take on long term financial commitments.

#### **2.4. People’s aspirations to become home owners remains strong**

The aspiration for owner occupation remains high.

**“It is clear and we need to recognise that many people aspire to own their own home at some stage in their lives – however for many this remains an impossible dream.”**

**Dave Prentis, General Secretary, UNISON**

House prices used to be three times median earnings; they are now upwards of six times.

<b>Average house prices and rents in England 1990-2010</b>			
	<b>HOUSE PRICE</b>	<b>PRIVATE RENTS/YEAR</b>	<b>AVERAGE EARNINGS</b>
1990	54,919	2,080	12,522
1995	50,930	3,640	15,898
2000	81,628	4,557	19,367
2005	157,387	6,708	24,062
2010	162,971	7,618	27,186
Increase %	297	366	217

Sources:  
<http://www.parliament.uk/documents/commons/lib/research/rp98/rp98-069.pdf>  
[http://www.ons.gov.uk/ons/dcp171778\\_265371.pdf](http://www.ons.gov.uk/ons/dcp171778_265371.pdf)  
 ONS annual survey of hours and earnings (NES and ASHE)  
<http://www.communities.gov.uk/documents/statistics/pdf/2084179.pdf>

Evidence from Dr Viitanen of the IPPR referred us to their Housing Aspirations Survey carried out in Bradford. Their survey showed that housing aspiration is strong among the community of Bradford, especially among the young who wanted to own their own home. However, over half of the respondents indicated that they did not expect to become a homeowner in the future, due to barriers such as the requirement for large deposits.

John Stewart, Director of Economic Affairs at Home Builders Federation (HBF) told the Inquiry that every post-war government had had aspirations to ensure there were homes for all. Owner occupation had figured large, but this trend was slipping back, particularly for the young, with a 30% drop in the number of young people buying their own homes in the previous 20 years. The decline in home ownership is however unlikely to reverse in the short to medium term due to the “seizing up” within the mortgage market following the credit crunch.

We also heard that grief in the mortgage market is not confined to new first time buyers. ‘Second steppers’ often find they do not have enough equity to move. We heard of households on the edge. Those who, in the absence of secure alternatives in other sectors, struggled to buy their homes with large mortgages when the market was close to or at its peak. In the context of a tighter job market and the squeeze on pay, even relatively minor increases in interest rates threaten to push the finances of such households into the danger zone.

In other parts of the country we found that affordability problems for would be owners were being driven by the purchase of homes solely as investment vehicles. This has a particular impact in specific parts of the country, most notably London, but also in some other cities as well as a number of rural areas such as the South West.

**“The significant number of second homes in Cornwall would actually oversupply the homes needed. ”**

**Peter Burton**  
**Cornwall Rural Community Council**

A main driver of the housing market in the South West is the huge desire for second homes. In some parts of the region second homes, many only used up to three or four times a year, accounted for 50% of all homes that are built. Stephen Gilbert MP called on local authorities to set limits in areas where the number of second homes is an issue.

## **2.5. The current direction of housing policy has significant consequences for the way society will develop in the future**

Citizens Advice and others highlighted the way in which current policy was moving away from the principle of mixed communities. Recent proposals regarding the relaxation of Section 106 agreements, that require new developments to include a proportion of affordable housing and social housing reforms, all risked pushing those on lower incomes to the margins. We heard that not only were many of our cities, towns and villages becoming more segregated, but that working people on low to middle incomes were facing ever longer journey to work times which, in turn, had a negative impact on home and family life.

We heard that the intergenerational bargain no longer holds. A whole generation were being shut out from owner occupation with the prospect that the average age of first time buyers could increase to the point at which they are too old to access the typical 25 year mortgage. 37 is already the current mean age of first time buyers.

We heard that it was particularly difficult for young people to embark on a conventional “housing journey” into home ownership. They now tend to live for years at home with parents or in rented accommodation. In contrast, older parents and grandparents continue to live in family housing because suitable alternatives are not available.

We found that in some areas, such as Bradford, it is not the price of first time homes that is the biggest problem. The affordability issue more usually relates to the 20% deposit required, which is a huge hurdle. Those who begin looking for a home following further or higher education will also face increasing levels of student debt which will have to be repaid, when they achieve an income of £21,000 per annum, at the very time when in the past money might have been saved towards a deposit. Add to this the above inflation increases in rents that many will face and it is clear that many young people will struggle to achieve their aspiration of owning or even part owning a home.

A number of those who gave evidence told us about the affordable housing needs of the vulnerable. Shropshire Citizens Advice predicted these would rise in the current economic context, and as a consequence of demographic change. We were told that, affordable housing choices are not just critical when one is young and setting off on the “housing journey”. They were also important for those who want to move back into rented property as their housing needs change. We also heard at our South West hearing that there is a growing need for more supported homeless accommodation, extra care housing and homes for people with a learning disability, but at the same time that there was an acceptance that there is no prospect of any schemes coming forward because of spending cuts.

We were told that Housing Benefit reforms were leading to increased segregation and creating other social pressures. Citizens Advice told us that between 2010-2011 they had advised over 2 million people. About a quarter of these were housing and Housing Benefit related enquiries. A major cause of concern was the rolling programme of changes in benefits relating to housing:

- cuts to Housing Benefit in the private rented sector, restricting local housing allowances to the thirtieth percentile and the introduction of caps based on property size (April 2011);
- extension of the shared accommodation rate to single people under 35 (January 2012);

- introduction of the “bedroom tax” for 670,000 social housing tenants (April 2013);
- abolition of Council Tax Benefit (CTB) to be replaced by a local, cash-limited pot (April 2013);
- introduction of the overall “benefit cap” (April 2013);
- commencement of the absorption of HB into Universal Credit (October 2013).

It was suggested that the consequence of these changes will be that significant numbers of people will need to move home or there will be a greater requirement for HMOs. Yet even cheaper areas are expecting significant dislocation of their populations with some having no choice but to move hundreds of miles away from their home to secure affordable accommodation. For those who do not move, the effect of benefit cuts will include rent arrears and/ or other debts and lead to households cutting back on other essentials such as food and fuel.

**“I have struggled to pay my rent for some time and have fallen into rent arrears. I have recently got a job but once I pay my rent, travel and council tax I am worse off than before”**

a Civic Voice

It was explained to us that half of all rents were already capped for Housing Benefit purposes, even before the latest cuts. In other words, in half the private rented sector, the maximum possible Housing Benefit was less than the rent charged - now that applies to 70% of the private rented sector. When introducing the latest round of Housing Benefit cuts (from April 2011 onwards – see above) the Government expressed the hope that landlords would decrease rent levels but this has not been borne out by experience.

## **2.6. The social rented sector is becoming increasingly residualised**

We heard that the number of homes available for social rent has fallen by over 1 million since 1979 and that with current policies the availability of properties at social rent on secure tenancies will decline further. As existing homes become vacant a proportion of new lettings will be on the basis of shorter term tenancies and ‘affordable’ rents at 80% of the private rental market. At the same time the Government is seeking to reinvigorate the Right to Buy, which has the potential to shrink the overall stock further.

We were also told that in a number of areas ‘Affordable Rent’ would be unaffordable to those on the living wage (£8.30 an hour in London and £7.20 elsewhere). UCATT told us that by pegging ‘Affordable Rents to 80% of market rents, the Government is in effect making affordable housing unaffordable to many and is significantly increasing the Housing Benefit bill. In the London Borough of Camden, the weekly average rent for a one bedroom council property is £81.92. The ‘Affordable Rent’ for this property would be up to £240 per week.

**“The reduction in the overall provision of social housing, the introduction of Affordable Rents and the series of planned welfare reforms will together have a serious impact on people’s ability to afford rented housing, which could lead to increased homelessness or distress”**

Cllr Anthony Humphrys  
Blackburn and Darwen District Council

Conversely in other areas, such as parts of the North West, we heard that Affordable Rent was below social rent and thus would simply not generate sufficient, or in a few cases any, additional revenue to support the construction of new affordable homes.

Others giving evidence pointed to the similarity between Affordable Rent and earlier models of intermediate housing, which had been developed to provide rented homes between market and social rents, or shared ownership. However, the big difference between intermediate housing and Affordable Rent was that the former was targeted at a different market, for example key workers, whereas the latter was aimed at those who would currently access social rented housing.

We were also told the Affordable Rent programme relied on housing associations borrowing more, with higher levels of debt being serviced through the increase in rents. However, this was unsustainable because many housing associations were reaching the limits of their covenants.

There was much evidence from housing associations suggesting that there is a great deal of uncertainty regarding the funding of social housing beyond 2015. The National Housing Federation evidence suggested that this made it difficult for providers to develop a pipeline programme, which could hamper future delivery.

Riverside gave evidence showing how, like many housing associations, they had continued to build new homes over the past three years - in their case over 2,000 homes - of which 75% had been for social rent/shared ownership homes. They intend to build 1,000 homes over the next three years although these will be mostly all at the Affordable Rent level. Riverside told the Inquiry that reducing output at a time of rising need was frustrating for housing associations.

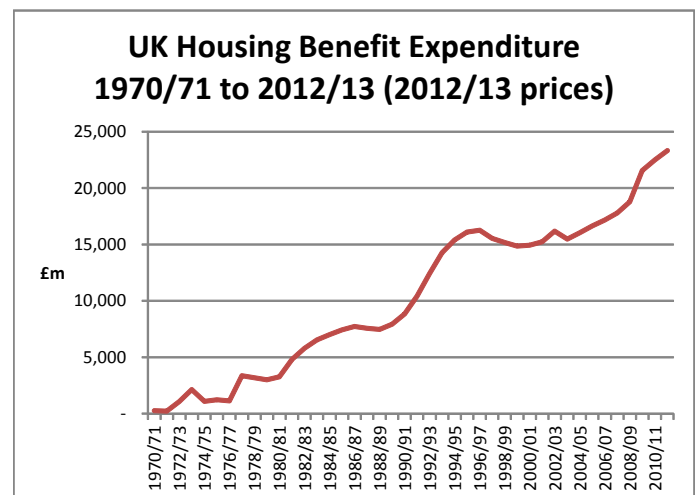
Another change is the intention to pay almost all Housing Benefit to the tenant rather than direct to the landlord. Housing Associations told us they were concerned that this is likely to increase significantly the level of arrears and hence detrimentally impact on the finances of social landlords (and some private sector commercial landlords) which in turn would reduce investment in new or refurbished housing.

Citizens Advice highlighted the consequences of the switch to flexible tenancies. Under the Localism Act councils are able to set time limited tenancies where, after a minimum of two years, the tenancy would be reviewed

against the criteria of household income, whether tenants were occupying a larger property than was necessary and their job seeking behaviour. It was pointed out that such measures were likely to create disincentives to work and risked further concentrations of deprivation and worklessness in social housing.

We were told that public housing capital investment started to fall in the 1970s and that trend has broadly continued to the present day. As better off working people took advantage of the discounts available under the Right to Buy, the more attractive homes were sold and not replaced. Demand increased and social housing became increasingly focussed on those with the greatest housing needs, and as a consequence, more residualised. As capital resources dried up private finance raised by housing associations became a central policy solution to underinvestment in the public housing stock. Since 1989 over 1 million homes transferred from councils to housing associations. Between 1979 and 2007 1.9 million homes were sold under the Right to Buy, although in many cases on estates and blocks of flats the local authority or the Housing Association remained the freeholder (with Right to Buy ex tenants and their successors as lessees).

In parallel with the decrease in capital expenditure, we heard that Housing Benefit has been rising in real terms, often very rapidly, since the early 1970s, rising from £1.1 billion in 1970/71 to £23.3 billion in 2012/13 (2012/13 prices). This came about as a direct consequence of government's decision to switch from capital to revenue expenditure. The rise in Housing Benefit has attracted considerable criticism from politicians and the media. The huge cost of Housing Benefit represents a major problem for governments of any complexion.



Source: [http://research.dwp.gov.uk/asd/asd4/budget\\_2012\\_300712.xls](http://research.dwp.gov.uk/asd/asd4/budget_2012_300712.xls)



Expenditure has been driven by deregulation of the private rented sector; increasing the use of private finance for social rent new builds (the private finance is underpinned by Housing Benefit), stock transfer to refurbish existing stock funded by private finance secured against future rental streams, again underpinned by Housing Benefit and now rapid growth in the private rented sector where the Housing Benefit unit cost is higher.

We heard that the average weekly Housing Benefit payment is £75.47; £84.67 and £107.35 in the council; RSL and private rented sectors (April 2012).

This crucial dimension was pointed out to us in the course of the Housing Voice Inquiry. The combination of the rise in Housing Benefit expenditure and the reduction in capital investment in social housing (and also on a smaller scale the dropping of Improvement Grants etc in the owner occupied sector) has meant that the vast bulk of government support for housing now goes towards Housing Benefit rather than to any form of support for the building, improvement or provision of homes.

With the Welfare Reform Act, the Coalition Government intend to include Housing Benefit within the new Universal Credit system, but we heard that there are serious technical and policy difficulties in this process.

Considerable disquiet was raised about the Right to Buy:

**“The recent announcement on Right to Buy will have a disastrous impact across Cumbria as in many areas receipts from discounted sales will not be sufficient to replace the property on a one for one basis”**

**Cumbria Housing Executive Group**

Eileen Short of Defend Council Housing told the Inquiry that historically the Right to Buy and the operation of the Housing Revenue Account had resulted in billions of pounds going to the Treasury rather than being reinvested on new council homes.

There were also references to the negative messages and stereotyping of social housing – how it is often portrayed as ghettos of crime and fecklessness subsidised by the rest of the population. In reality there are widely different experiences of social housing and council housing is now ‘self financing’.

The Inquiry heard strong arguments in favour of reversing the decline in council housing and the wider social housing sector. APSE pointed out that public investment in housing created a public asset; generated a revenue stream to support the financing of that investment; and had considerable social (health and education) and economic benefits.

**“The economic downturn is having an impact on social cohesion and on vulnerable people in the North East where families are no longer able to afford to buy or rent homes”**

**Mike Clark**  
**North East Housing Innovation Forum**

We were told that one of the central questions which needs to be addressed by any government is what future is there for social housing? One path is one of even greater residualisation, social segregation and division. Another path, in the context of future limited access to owner occupation, is to see council and housing associations meeting the housing needs of a wider section of society, including working people on low to medium incomes, in mixed, strong, socially cohesive communities and neighbourhoods.

**2.7. Much of England is becoming increasingly reliant, by default, on the private rented sector**

The lack of access to owner occupation and social housing places greater demand on the private rented sector which in turn creates a further upward pressure on private rents.

The Housing Voice Inquiry heard that the Private Rented Sector is playing an increasingly important role in the supply of new homes. For a whole generation there is a switch from the property owning democracy to a renting democracy. In London the proportion of owner occupiers, estimated to be currently 51.6%, will be less than those who rent i.e. under 50% by 2021 at the latest. Given the relatively low political priority given to housing policy and the lack of public debate, we noted that this had come about by default.

Forms of tenure in the UK (%)			
	OWNER OCCUPIED	SOCIAL RENTED	PRIVATE RENTED
1918	23	1	76
1939	32	10	58
1953	32	18	50
1961	43	23	34
1971	51	29	20
1981	57	32	11
1991	68	23	9
2000	69	19	10
2005	71	18	12
2010	67	17	16
2011	64	16	20

\* Figures for Owner Occupation now include about 8/9% originally purchased under Right to Buy.

Source: <http://www.communities.gov.uk/documents/statistics/pdf/1133551.pdf>

We also heard some evidence of the positive benefits of private renting, such as greater flexibility and the tenant not being responsible for housing repairs. Urban Splash told us that the private sector can provide desirable, well designed and high profile housing, but that building new homes for private rent is now a challenge, due to the high costs. They referred to the need for support from the public sector to get private developments going.

Others giving evidence suggested that the increasing reliance on the private rented sector had consequences for the quality of homes that people were living in. BSHF pointed out in their evidence that the private rented sector has the highest proportion of homes that fail to meet the decent homes standard.

David Kidney, Head of Policy, Chartered Institute of Environmental Health (CIEH), gave evidence on how private renters are more likely to live in cold, damp homes. He also pointed out that the need for regulating the private sector was of growing importance. Not only was this the fastest growing sector, it was also where tenants were the least secure. He pointed out that there were currently 3,000 Environmental Health Inspectors, but three times that number would be needed if the whole housing sector were to be properly regulated.

The Inquiry heard that security of tenure remains a big drawback for people in the private rented sector too. David Kidney advocated that a 'kitemark' for decent landlords should be introduced, with guaranteed five year tenancies, in order to push up standards.

The evidence we received shows that the private rented sector is not only growing rapidly as a share of the total stock, but is also becoming more diverse, ranging from high quality homes to houses in multiple occupation and even 'beds in sheds'. At the same time many more families with children were becoming dependent on the sector due to the lack of social housing supply, the difficulty of getting on the housing ladder and changes to legislation regarding the way in which councils discharge their duties to the homeless.

The Housing Voice Inquiry also heard that most private landlords own only very few properties and could be described as "amateur" and, despite high rents, they do not receive high yields due to mortgage and other costs. In addition, landlords could no longer rely on capital growth to obtain a return from investment in the sector. Ian Potter from the Residential Landlords Association (RLA) told us that the majority of private landlords are providing a very important service and making every effort to be responsible. However, at the poor end of the market there is evidence that "rogue" landlords are exploiting tenants in unacceptable ways with squalid and dangerous conditions and extortionate rents. Moreover, insecurity of tenure means that many tenants feel unable to complain about their conditions due to fear of eviction. He said that "the typical landlord was a private individual with five properties. This was a business model with high costs and low margins."

We heard that students had faced a particularly high increase in rents over recent years with the National Union of Students (NUS) reporting that, overall, students have faced a 29.5% increase since 2007 and the average rent in 2010 was £98.99 per week. Given the additional debts that students carry for their tuition, the trend towards students attending local universities so that they can remain living at home will continue, and will disincentivise those from lower income households from going into further and higher education.

We also heard from the NUS about the emerging challenge for the private rented sector to continue to provide an adequate supply of flexible, affordable and appropriate accommodation given the use of Article 4 Directions by many local authorities. Concerns were raised that Article 4 Directions may have the effect of halting any increase in numbers of Houses in Multiple Occupation (HMOs) within their areas of jurisdiction.

Although we understand that local authorities use the planning system to respond to the 'student-ification' of certain areas, it was suggested to us that the overall impact of the use of Article 4 Directions has been to hinder the flexibility and affordability of the private rented sector, which has, over the past few decades, been vital in addressing the affordable housing shortage for students and other younger people.

It was pointed out to us that restricting Housing Benefit to the shared accommodation rate for single people under 35, instead of 25 at present, is likely to make the need for properly managed HMOs as part of a better regulated PRS, greater.

Lancaster Citizens Advice reported that in a survey of their local newspapers 78% of the properties advertised for rent "set up restrictions against prospective tenants on benefits or low incomes." Examples of "active prejudice" were simply saying 'No DSS' or 'Professional or working tenants only.' Many private landlords required not only a deposit and one month's rent in advance but an additional amount to cover any damage to the property, often three months rent.

We also heard evidence about tenants who abused their tenancies and the dangers of overly regulating the private rented sector. Both landlords and tenants complained about the poor practice and high charges levied by many letting agents.

## **2.8. Significant barriers exist to building more affordable housing:**

### **Finance**

We heard that the lack of availability of finance is a major barrier to the provision of affordable homes at the current time. It is an issue in terms of availability of mortgage finance for those who might buy homes and in relation to capital investment in housing developments across all markets. On mortgage finance we heard that the industry norm of 80% or 85% Loan to Value mortgages for first time buyers is likely to remain in place in the immediate future due to the post credit crunch caution in the market and new requirements (Basle III) on the level of bank reserves. It was suggested to us that the market would only begin to recover when deposits returned to a level more like 10%, or 5%. The recently announced NewBuy scheme ensures developers provide guarantees against default. This is underwritten by the Government so that purchasers can get 95% mortgages. However, as a number of contributors noted, this was only for new build properties, whereas many first time buyers made their first purchase in the second hand market.

In terms of capital investment we heard that on the public and housing association sector side, the cuts to the Government's affordable housing budget had been keenly felt. Lower levels of grants following the 2010 Comprehensive Spending Review had, so far at least, resulted in fewer homes and housing associations having to further leverage their assets as the increased rental stream from new Affordable Rent homes did not offset the reduction in capital grant.

Housing Associations told us that there was uncertainty in their sector about what will happen after 2015 and the likely reduction in major new investment in new homes. At the same time, the rise in the banks' own cost of debt was having a knock on effect, with far fewer banks offering loans to associations.

In terms of private sector investment, a number of contributors told us about attempts to encourage pension funds and other sources of capital to invest in the private rented sector. A consultation has been undertaken into how real estate investment trusts can leverage in funds.

At our North West hearing we were told about a pilot scheme in Manchester, in which the local government pension fund planned to invest in an affordable housing scheme being developed on public sector land.

## Land

We heard that the availability of land and its cost were a major factor influencing the provision of affordable homes. The Building and Social Housing Foundation (BHSF) provided evidence that suggested that one of the big problems is that the UK is not using its land effectively.

**“There is a common misconception that the UK is heavily developed. In fact there is no intrinsic scarcity of land nor is there likely to be in the future. 90% of the land in England is green space and only 1% covered by domestic buildings. There is however a lack of consensus over where homes should be built.”**

**BHSF**

Stephen Gilbert MP told us of developers sitting on huge land banks around the country. John Stewart from the Home Builders Federation suggested that some of the land that developers held, or that was available, was not commercially viable for housing development.

Mark Pawsey MP told us that “we now face historically high land costs: 60% of value of all sales. This is slowing down house building and needs to be further examined.”

The Labour Land Campaign highlighted to us their concerns about land speculation which, they suggested, leave so many buildings and sites in our towns and cities unused or underused, including office space that could be converted into homes.

They argue that speculation means that many approved developments do not take place, sometimes for many years, until the developer/landowner is prepared to go ahead with the homes included in the planning permission.

There are also specific issues around land related to specific locations and regions. We heard about the huge difficulties around land constraint in London. At our London and South East hearing it was suggested by Paul Hackett from the Smith Institute that the shortage of land meant that London could no longer meet its housing needs from within and that one possible solution would be to develop new garden suburbs.

During the final stages of writing up our report, Sir Adrian Montague published a report for the Government on what further steps could be taken to encourage investment in the private rented sector. These include proposals that the public sector should consider waiving requirements for affordable housing quotas through Section 106 agreements.

## Planning

Many contributors told us that it was the planning system that held back a large number of developments.

**“Local opposition to building is a real factor that has to be dealt with sensitively [but] a surprising number of people hold two views at once without reconciling them. They do not like ‘concreting over fields’ but they do worry about where their children, friends and family will live.”**

**The TUC**

Although the new National Planning and Policy Framework (NPPF) creates a presumption towards sustainable development its consequences are unknown in the context of localism and new neighbourhood powers, which could be used to strengthen local obstruction to development. However, Housing Voice did hear evidence from those who felt there were some aspects of the NPPF which were potentially very helpful.

**“In broad terms the National Planning Policy Framework was also a step in the right direction. It was essential that developments proceeded from an assessment of need, the availability of land to deliver required homes, and a presumption in favour of development.”**

**John Slaughter, HBF**

However, concerns were raised regarding the abolition of Regional Spatial Strategies and the fact that the Government’s new National Planning Policy Framework includes no targets for housing at all. Richard Kitson the Chair of the South West Housing Initiative, told us that “since the abolition of the Regional Spatial Housing Target, planned new housing has been cut by 81,000.”

We heard that although the localist, bottom-up approach is understood, there are worries about whether a hands off approach can work, especially at a time when the market is clearly not working and when there is an entrenched culture of ‘nimbyism’.

**“More people in the South West are against new housing being built than in other parts of the UK, branding the South West the ‘Nimby capital’ of England.”**

**Richard Kitson**  
**South West Housing Initiative**

Despite repeated references to restrictive planning and to ‘nimbyism’, others pointed out that there are substantial instances of land with planning permission already granted but where development is not proceeding. And others reminded us that only 10% of the English land mass is urban and only 2% consists of buildings; it should therefore be possible to increase building substantially without either concreting over the countryside or resorting to infill in already densely populated areas.

Surface area of England	
Farmed and Forestry	70%
Open Country	20.1%
Domestic Gardens	4.3%
Transport Routes	2.5%
Buildings	1.8%
Other	1.4%

Total 100%; Source DCLG 2007

**2.9. There has been a sustained failure by successive governments to keep housing supply in line with demand**

There was a strong degree of consensus among those giving evidence that politics has not been working for housing for a number of decades. Some giving evidence pointed to housing’s relatively low ranking in the pecking order of policy priorities, relative to other policy areas being pursued.



**“For too long housing languished near the bottom of the political agenda, receiving too little attention from political parties of all stripes while the shortage of decent housing grew large.”**

**Unite**

Others highlighted the ineffectiveness of the policy response.

**“The current housing policy is ‘failing’ millions of people, and denying them a sense of belonging in their community. We have to meet the aspirations of the nation on this, because if we do not, the long-term implications will be seriously damaging.”**

**Stephen Gilbert MP**

We heard a number of reasons why politicians might not give housing the attention it deserves and needs. Most people regard problems of housing availability and affordability as an individual problem (and occasionally one for the local community) rather than a collective and political one.

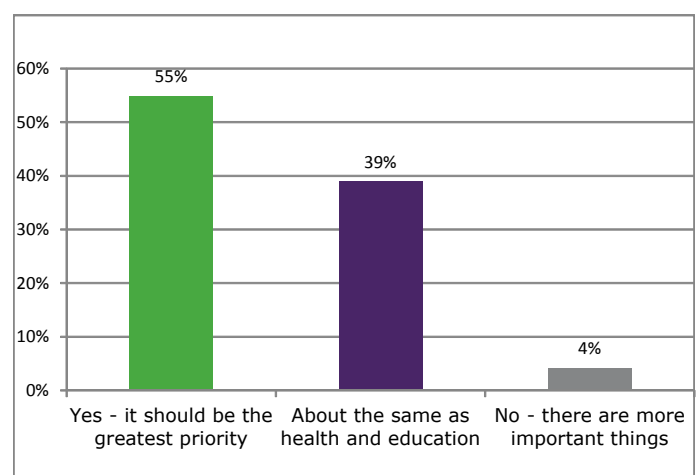
Despite all the problems for those starting on the housing ladder a large number of people, those for example who have paid off their mortgage or who bought their homes on first, second or third mortgages in the era of rapidly rising house prices and at relatively low current interest rates, have gained from low costs and the rise in capital values

of their property (albeit less than they may have reckoned on five years ago). In real terms they are often still getting better off year by year and therefore understandably do not share the difficulties and frustration of the first time buyer or renter, or indeed of those more recent purchasers facing something approaching negative equity. It is clear that the “housing haves” do not feel the same sense of crisis as the housing “have nots”.

There is also a distinct ‘silo-isation’ of housing policy in terms not only of households but also of providers, NGOs, campaigners, experts and indeed local and national politicians, all focussing on one housing sector - home ownership and the mortgage market, or social housing, or the private rented sector, or homelessness - with very little crossover. Hence the issues of affordability and supply are seen in separate compartments according to tenure, whereas in reality there is a clear and growing crossover of pressures and problems from one to the other.

Nevertheless, there was also a strong opinion amongst people surveyed as part of the Inquiry who want to see housing receive substantially greater attention from government and politicians generally.

94% of those who responded to the Housing Voice online survey agreed that the Government’s top priority at the moment should be delivering affordable housing or that housing should be at least as high a priority as health and education.



**“There has to be better acknowledgement of the necessity of sufficient public funding and the essential role local authority and other key agencies have in “enabling” affordable housing solutions and delivering Government housing priorities. Without this nothing can really change.”**

#### Blackburn and Darwen Council

The Localism Act has put local authorities in pole position in relation to many aspects of housing policy now that regional targets and regional machinery have been abolished. However, many who gave evidence saw both the responsibilities and powers of local authorities to be inadequate given the context of the crisis. Other local authority representatives claimed that they now appeared to have the responsibility without the power.

#### **2.10. There are examples of best practice and good ideas that can be developed further and spread more widely to help address the need for more affordable housing**

Over the course of our Inquiry we heard many ideas and examples of good practice, as well as strong arguments in support of the continued relevance of more tried and tested methods for delivering affordable housing, including council housing. We also heard about innovations across the country; new sources of finance, the contribution that public sector land can make and the role co-operative forms of housing and landownership (Community Land Trusts) could play in addressing the need for more affordable housing.

#### Birmingham City Council

Birmingham City Council established the *Birmingham Municipal Housing Trust* (BMHT) in 2009. This is a new model for delivering new homes for rent and for the open market.

BMHT aims to intervene to get the market moving, to deliver the homes required by population growth in the city and kick start the economy. BMHT developments seek to reduce the financial risk to developers by spreading the risk between the Council and the developer. By working with Registered Providers and the Homes and Communities Agency BMHT has helped deliver hundreds of new affordable homes and market sale homes in Birmingham.

#### Barking and Dagenham

Barking and Dagenham have established a special purpose vehicle (SPV) to deliver 477 affordable homes on two council owned sites. An institutional asset funder has invested in the SPV, which enters into lease arrangements with the council and the funder. The council manages and maintains the homes on the sites and a return is paid to the funder and the council. Outright ownership returns to the council at the end of the 60 year lease period. 20% of the homes on the site are let at social rent – 50% of market rate (for those who the council define as being in most need) 5 per cent are 65% of market rate (those in employment on low incomes under £30,000) and 75% are at 80% of market rate (those in employment who temporarily need slightly subsidised housing and where rent is no more than 35% of net income).

#### Co-operative housing in Wales

In May 2012, the Welsh Government published *Homes for Wales: A White Paper for Better Lives and Communities*.

The White Paper sets out how Co-operative housing can become “a much more significant part of the housing system”. A number of pioneer projects are being established that it hopes will provide housing for people with a range of incomes. It plans for 500 new homes to be delivered through Co-operative projects, alongside a new co-operative tenancy, the purpose of which would be to give members an equitable interest in a co-operative’s property, which can then be used as security for loans to buy a ‘limited equity’ stake in their home.

In addition the Welsh Government has said that it will bring forward legislation to define community land trusts.

### 3. What needs to happen next: recommendations and conclusion

Given the scale of the crisis in housing **the Government needs to commit itself to a target of creating a minimum of a quarter of a million new homes every year for the next 20 years with a significant proportion being affordable.** To such ends we recommend that a new housing strategy be put in place. This should include an emergency package of measures that reflect the urgency of the situation faced by the growing number of those in housing need and the huge economic benefits of house building.

We recognise that some of our housing challenges, such as availability of finance and land, space constraints in London and the South East, and the question of how our housing system responds to the ageing population will take some time to address. In this context we have concluded that in addition to the emergency package, to be implemented immediately, the strategy requires a medium term/three to five year programme, consisting of measures requiring legislation or support through the next Comprehensive Spending Review, and a National Commission on Affordable Housing (to report by 2015) to consider the bigger structural barriers that have mitigated against the delivery of affordable housing and generate public debate around the wider policy choices faced by the country.

Central to our strategy and the objectives of the proposed National Commission on Affordable Housing will be the need to remove three major barriers to the effective delivery of affordable homes that we have identified in this report. Housing Voice calls upon Government to address:

**1. The lack of political priority for housing.** Currently, the housing market is not delivering for far too many, and government interventions have become less influential in ensuring housing needs are met. This needs to change. Overcoming this barrier will require higher political prioritisation and greater clarity on the relative roles of central and local government, the latter of which we believe to be best placed to understand and respond to local need.

**2. The availability of finance to support the development of affordable housing.** We do not overestimate the scale of the challenge to overcome this barrier, particularly in the current economic context. However, there is strong evidence to suggest that investment in housing will pay for itself.

**3. The availability of affordable development land** in the places where we need housing and the way in which the planning system processes such land for development in an environmentally sensitive way. A number of reforms have been made to the planning system. Whether these reforms will work in a way which strikes a balance between the need to protect our environment and the need for more development remains to be seen. On the availability of land, the Government has made some progress in recognising the role that public sector land can play. However, we conclude that a key requirement for housing schemes involving public sector land should be that they deliver affordable housing. Housing Voice is concerned by current government thinking and advice, for example the recommendations made in the Montague Report to consider waiving the need for social or affordable housing in housing development.

## Recommendations

### 1. Making housing a political priority

**The Inquiry recommends that a number of measures be put in place to ensure that the provision of affordable housing is given more appropriate political prioritisation at national and local level.**

Although we heard evidence from many who felt there was “no magic solution” to the housing crisis, there was a strong recognition that there was a need for a step change in leadership. It is important for Government to promote a co-ordinated approach that brings together all sectors, and makes important connections between housing and the economy. In the current context, there also needs to be greater accountability and responsibility taken for ensuring that the private rented sector is appropriately regulated.

The trend towards localism, including the new responsibilities set out in the Localism Act, the reform of the HRA, as well as the sense that local authorities are best placed to assess local need, suggests that in future greater responsibility should fall to local political leadership. This should be complementary to greater prioritisation at national level, which would provide co-ordination, grant appropriate powers to ensure the provision of resources and establish clear lines of political accountability. National policy and legislation need to recognise explicitly the responsibilities of local authorities in delivering housing outcomes and strategies.

#### Emergency Programme

To make housing a political priority the following measures should be introduced immediately:

- **Enhance political responsibility for housing.** Currently, the Housing Minister does not attend Cabinet and the housing crisis is not given the prominence and priority it warrants by government. This needs to be changed. The Housing Minister needs to attend Cabinet and housing needs to be hard wired into plans for economic growth and recovery.
- **Encourage local government to introduce landlord accreditation,** licensing or registration schemes for their areas. Initially, landlord accreditation schemes should be targeted at the areas of poorest housing and introduced as soon as is practically possible. A regular ‘MOT’ style certificate showing that a property is free of serious hazards and meets a new, minimum decent homes standard would be a major step forward and ensure more homes are fit for purpose. Local government should, in our view, be the primary regulator of the private rented sector, including property letting and management agents, bringing together the skills of environmental health officers, tenancy relations officers, and housing advice workers.

### **Medium Term Programme**

To help make housing a political priority at national and local level, Housing Voice recommends that the following administrative and legislative changes are brought in over the next few years – the medium term. These proposed changes will help to regulate housing provision at local level and deliver greater accountability and responsibility for the supply and management of housing:

- **Local authorities' statutory duties should be enhanced to include a duty to meet the housing needs of their local area.** Following the Localism Act, local authorities have a general power of competence, and are required to put in place allocation policies and develop tenancy strategies. They also hold important planning responsibilities and carry out strategic housing market assessments. This needs to be enhanced by placing on them a clear statutory duty and the providing powers to secure the provision of a range of housing to ensure that local housing needs are being met (working with other local councils where they share a local economy and/or shire area).
- **A new statutory system of Private Rented Sector regulation should be introduced.** Legislation is required to provide for increased and swifter protection of tenants including the establishment of a new mechanism to deal more expeditiously with landlord-tenant disputes, repair claims and possession hearings. There must be more guaranteed minimum standards for tenants including increased security of tenure with 24 months notice becoming the norm not 6; safeguards against extortionate rents being charged by allowing local councils to refer excessive rents to the Rent Assessment Committee; regulation of residential property letting and management agents, as well as encouraging the setting up of not-for-profit lettings agencies.
- **Support for innovation in new forms of tenure.** The Housing Minister should promote innovation. For example, a new co-operative housing tenure should be created as a distinct form of tenure in UK housing law. Another example would be to promote Mutual Retirement Housing, which has significant potential to enable older people to keep control of their lives and create communities where mutual aid enables older people to retain their independence. Significant numbers of leaseholders in blocks of flats could be moved into a renewed form of Commonhold.
- **Support for new forms of design, ecobuild and housing delivery.** At the same time greater focus on the design and the fabric of buildings needs to be factored into the future build and renovation of affordable housing. Design, purpose of space, energy efficiency, size, quality and space standards must all be factored in to new build and there should be greater consideration of the mix of communities in which they are placed.



## 2. The availability of finance

### **The Inquiry recommends that a number of financial measures be taken to support the delivery and availability of affordable housing.**

Despite current economic conditions we conclude that public investment has a significant role in providing finance for affordable housing. We also conclude that such investment will pay for itself over time. Housing Voice heard that there was renewed interest in the extra scope for investment if the UK were to adopt European accounting conventions<sup>1</sup> and the possible recourse to European financial institutions. Some giving evidence, such as Birmingham City Council, have pointed to the scope for increased borrowing if HRA borrowing caps are removed.

During the course of the Inquiry a number of contributors highlighted the potential of Quantitative Easing. The Quantitative Easing criteria provides for the purchase of high quality, private sector assets through the Asset purchase facility. The IMF noted in its' report (18 July 2012) that 'the Government has already authorised the Bank of England to purchase up to £10bn of assets, of which it has only used £350m.' Housing Voice believes that there is some scope to provide cheaper borrowing to affordable housing providers.

Similarly, mobilising pension funds could be very helpful in providing finance for both private and social housing. Unfortunately, we heard that conventional advice from fund managers and advisers to Trustees of Pension Funds tends to be that affordable housing, private or public, is a low return investment to be eschewed. Large Trustees, and equivalents, conscious of their fiduciary responsibilities, have heeded that advice and very few pension funds invest directly or indirectly in affordable housing. Yet evidence suggests that it is a safe long term investment. We heard that the Greater Manchester Local Government Pension Scheme is currently involved in a pilot scheme, under which affordable housing will be provided on public sector land. However, Government support is needed.

<sup>1</sup> Communities and Local Government Committee; Financing of New Housing Supply; Eleventh Report; Session 2010 -12: 'We recommend that the Government thoroughly examine a move to the General Government Financial Deficit rules and then consult on proposals.'

Financial measures also need to be developed to support home ownership and incentivise higher standards in the private rented sector. We have, in drawing up our recommendations, discussed at length the extent to which measures can be put in place to support sustainable home ownership. Whilst we do acknowledge that we are unlikely to see any dramatic change in the trends in ownership anytime soon, there are clearly measures that could help, particularly first time buyers, and those living in areas where mortgages would be comparable to rents if people could raise deposits.

We recognise that greater public and private investment needs to proceed in parallel with further development of different models of affordable housing, and that scope exists for looking at the relative benefits of revenue spending on Housing Benefit and finance for capital investment.

A central question facing any Government is what future it sees for social housing. One path is one of even greater residualisation and social segregation and division. Another path that the Inquiry recommends is to see council and housing associations meeting the housing needs of a wider section of society, including working people on low to median incomes, mixed, strong, socially cohesive communities and neighbourhoods.

We have noted the drawback with the current Affordable Rent model in different parts of the country. However, we do recognise that the intermediate sector could, alongside social housing, play a bigger role. We note the potential opportunities for cross subsidy from such schemes in delivering affordable homes and in the fostering of mixed communities. Such an approach is being developed by local authorities such as Barking and Dagenham. Another option is to link rents to incomes, rather than as a percentage of market rates. From the evidence presented to Housing Voice we oppose the introduction of flexible tenancies for social tenants on the basis that it creates insecurity and mitigates against the idea of mixed communities.

### **Emergency Programme**

The financial measures that will help generate the financial flows necessary to support the homes we need and that should be included as part of our recommended emergency programme are as follows:

- **Immediately increase the Homes and Communities Budget** for 2012/13 by £0.5bn; 2013/14 by £1bn and 2014/15 by £1.5bn with resources targeted at social rent.<sup>2 3</sup>
- **Earmark at least £5bn of the recently announced (July 2012) £50bn increase in Quantitative Easing** to enable the Asset Purchase facility to purchase low interest 'Bonds' issued by Housing Associations or Local Authority Housing Companies to finance new house building for social rent or other measures that have the same effect. (The IMF noted in its' report (18 July 2012) that 'the Government has already authorised the Bank of England to purchase up to £10bn of private sector assets of which it has only used £350m.)

The combined effect of these two measures would be to provide £3bn of grants to support the development of new social rented housing (using the National Affordable Housing Programme Model this delivers 50,000 new social rented homes). Combining this with reductions in the costs of the borrowing for social rented housing developments through Quantitative Easing could increase this to approximately 60,000 new homes and would enable developments that are currently stalled to proceed.

- **Remove uncertainties that discourage councils from pressing ahead with new build programmes** by a) increasing the borrowing headroom for local authorities to encourage new council housing; and b) giving certainty to councils by removing the doubt created by the 2012 Budget indicating that debt caps might be reduced in the future.
- **Take urgent action to help people with mortgage deposits.** Housing Voice recommends extending/replacing NewBuy with 'AllBuy'. Newbuy is designed to help 100,000 purchasers get 90%-95% mortgages on new build properties which have a value of up to £500,000. Builders of new homes take the first loss in the indemnity, with government only being called upon to pay once the builders fund had been exhausted. The Government's maximum contingent liability under such a scheme is capped at £1 billion. Under 'AllBuy', a national mutual mortgage insurance scheme would need to be established that applied to all purchasers. The insurance scheme would meet the first amount of the indemnity with government only being called upon once the excess provided by the insurance scheme had been exhausted. This should be limited to £250,000. It would be targeted at first time buyers. At the same time stamp duty should also abolished for first time buyers on properties up to £250,000. This would cost in the region of £290m a year.
- **Defer the incorporation of Housing Benefit into Universal Credit** so that a proper assessment can be made of whether support for housing should be directed into one off capital grants or ongoing revenue streams.
- **Start to mobilise pension funds to help finance private and social housing.** This could start on a voluntary basis although legislation will probably be needed.

<sup>2</sup> Note: The planned expenditure under the 2011 Affordable Homes Programme - Framework is just £0.92bn in each of the years 2012/13 to 2014/15.

<sup>3</sup> The National Audit Office found that this approach offered 'best value for money' Our analysis of the Department's impact assessment showed that over the 30-year period analysed, continuing to fund housing on the model of the National Affordable Housing Programme (option one) offered the highest ratio of benefits to costs and hence the best value for money.

### Medium Term Programme

Further support which Housing Voice recommends should be provided in the medium term programme include measures to be set out in the Comprehensive Spending Review to increase public investment, support ownership, deter speculation and support private landlords to improve their properties.

- **Adoption of the General Government Financial Deficit (GGFD)** in line with other European countries, as recommended by the Communities and Local Government Select Committee, thus allowing greater local authority freedom to borrow for investment in social housing (borrowing against their asset base, create additional assets and generate an income stream (rents) that meets the financing costs).
- **Increase in the Budget for Affordable Housing** to significantly above its current level for the next funding period to £4.75bn a year.
- **Introduction of fiscal and other disincentives** to purchasing homes that remain empty and holding land that remains undeveloped including Council Tax, Capital Gains Tax and Land Value Tax.
- **Exploration of how Bonds issued by the European Investment Bank (EIB)** could provide finance for housing investment (as part of a coherent investment programme in health, education, urban renewal and the environment).
- **Reintroduction of Repairs Grants** and review of the **tax treatment of private landlords** to incentivise repairs, improvements, better management and longer tenancies.
- **Introduction of an updated 'investment allowance'**. This would be an amount calculated on the basis of an assessment of housing need and would provide a revenue stream that supports prudential borrowing for the construction of new housing and be funded by the Homes and Communities Agency (HCA) through an increased budget.

- **Encourage pension funds to allocate a proportion of assets to affordable housing.** There is undoubtedly a value in attracting more long term institutional finance into the housing sector, both in support of developers and in provision of funds to social landlords and local authorities for social housing. Pension funds must invest in the best interests of scheme members. There is no doubt that an adequate supply of housing at social rent levels would accommodate that requirement because of the economic and social benefits that derive from decent housing. Government should use regulations and taxation of pensions to try to ensure that revenue streams enable pension funds to access this investment opportunity. As long term investors pension funds should support the building of affordable housing stock.

### **3. The availability of affordable development land**

**The Inquiry recommends that measures be taken to ensure an adequate supply of land for affordable homes to be built and to ensure that recent planning reforms are supporting environmentally sustainable development.**

Housing Voice found that the supply of land is an essential component in the delivery of new homes. In areas where land values are high, the development of genuinely affordable housing is increasingly difficult.

Land owned by the public sector, especially local authority owned land, could clearly provide a significant resource to support the provision of affordable homes. The Government themselves have recognised the importance of releasing public sector land in their housing strategy but do not link this objective to the need to create more affordable homes. However, we note there is a case for making land release contingent upon the provision of homes that are genuinely affordable, rather than for the housing market. If such land were provided at significantly reduced cost, or longer payback periods, it would make developments cheaper to provide. It could be argued that the wider community benefit provided in such situations outweighs the short term cost value to the public purse.

We heard how the release of public land is making a difference in Manchester and parts of London. In Islington councillors are insisting that housing association development on land that the council has released be let at social rents, rather than Affordable Rents.

A further option we heard about was the potential for new development on publicly released land to be directly linked to meeting specific housing needs of local people (as with local letting schemes in social housing, which give priority to existing local residents in the first instance). This could be important in addressing a central problem in planning, whereby all the perceived benefits seem theoretical, rather than linked to the needs of the community.

We also believe that such land could be important in supporting new forms of sustainable homeownership, such as co-operatively owned housing and community land trusts. If housing was to be given greater political priority, a new Cabinet Minister for Housing would also have an important role in spreading good practice and ensuring that we derive the greatest possible benefit from public assets. We note the way in which the Welsh Government is developing these ideas.

As we concluded our Inquiry there was mounting pressure, from government and developers, for Section 106 agreements to be relaxed. Such agreements currently enable local authorities to specify that developers provide a certain proportion affordable homes on a site when granting planning permission. It has been suggested that such agreements, particularly those entered into at the height of the property bubble, make developments uneconomical in the current context. The recent *Montague Report* which looked at the barriers to institutional investment in private rented housing includes a proposal that could result in the requirement for affordable housing being waived.

This is clearly a controversial step, suggesting that the new homes for those on low to middle incomes are an unaffordable luxury in the current economic context. This works contrary to the evident need for more affordable housing and any hoped for rebalancing of the economy.

### Emergency Programme

A key measure that will help generate the land necessary to support the homes we need and that should be included as part of our recommended emergency programme is:

- **Acceleration of the release of public sector land (especially local authority land) for affordable housing.** This could be achieved by heavy discounting and longer payback periods when land is to be used for social rent, intermediate and co-operative housing/community land trust development. Cheaper land and the use of QE as set out above will also help ensure that a programme of increased investment, will achieve the optimum level of new homes and secure more immediate economic and social benefits.

### Medium Term Programme

We recommend that the recently introduced **National Planning Policy Framework** and its effectiveness in the supply of affordable housing be kept under review.



#### **4. National Commission on Affordable Housing**

**Housing Voice recommends that the Government establish a National Commission on Affordable Housing to ensure housing supply matches demand over the longer term.**

We are acutely aware that the measures we outline above – even if adopted by government – would fall short of the level of investment and support needed over the next twenty years. There are some difficult structural challenges, such as the impact of an ageing population on the availability of appropriate housing, questions about the role of new towns, and the scope of public investment. With this objective the Government should establish a National Commission on Affordable Housing to look at the big strategic questions and seek to construct a strategy that would command widespread political and public support to deliver the right kind of homes in sufficient numbers to meet new household projections and demographic change.

The National Commission on Affordable Housing would examine and make recommendations on measures that would meet projected housing requirements up to 2033. Such an exercise could cover for example:

- Recommendations on measures to secure the necessary supply of land and finance, and ensure sufficient construction capacity;
- A Review of the effectiveness of the planning system including the new NPPF in delivering affordable housing;
- Recommendations on measures that would support a substantial rebalancing of the economy; the integration of employment, skills and housing needs, and maximise the proximity of home to the work place.
- Recommendations on focussed investment aimed at meeting the future housing needs of older people;
- Analysis of the relationship between housing pressures and regional policy and measures needed to alleviate the housing demand in London and the South East.

- Analysis of options that would shift public spending on housing from revenue spending (Housing Benefit) to capital spending on housing supply in the longer term;<sup>4</sup>
- Recommendations on the measures needed to avoid any new explosion of household debt and future house price bubbles;
- Assessment of the appropriate balance between tenures and of what may be a future sustainable level of owner occupation to plan for, together with measures to create real choice between tenures;
- Recommendations on measures to enable local authorities to secure that the housing needs of their localities are met; and in particular the cooperation and integration of planning arrangements necessary between local authorities to cover regions and city regions;
- Consideration of whether the renting models in other European countries, where rents are linked to a proportion of household income, are relevant to the UK.

The National Commission on Affordable Housing would also review the effectiveness of the Emergency and Medium Term Programmes and consider recommendations from Select Committees and other organisations.

In this way urgent action can be taken in the immediate and medium term whilst the National Commission works up longer term recommendations with a view to establishing a deliverable housing strategy to meet the burgeoning and changing housing needs of the future.

**We recommend that the National Commission on Affordable Housing should have a long term to permanent role but its initial task will be to produce its Strategic Report by 2015 – in advance of the next General Election.**

---

<sup>4</sup> Also recommended by IPPR in *Together at Home* 2012

## **Conclusion**

Housing Voice heard a wide range of voices over the course of the Inquiry. These have ranged across the political spectrum, and included members of the public and organisations responsible in different ways for helping people to meet their housing need. Whilst we found many differences in perspective, emphasis and prescription, we also found a broad consensus in favour of the proposition that housing policy is failing many, and that a new approach is needed. Our findings and recommendations reflect this consensus and aim to set a new course under which central and local government take greater responsibility for meeting the need for affordable homes over the longer term.

## Appendix I: Terms of Reference

The Terms of Reference for the Inquiry were to find out about:

- 1. People's housing aspirations and how these are being met in the current housing market including in different parts of the country.** For example, is there adequate provision of affordable and decent (warm, not overcrowded and viable space for people who work from home) homes.
- 2. The factors that influence affordability in different parts of the country.** For example, are wages/salaries keeping pace with housing costs? What other household costs impact most on people's ability to afford where they live?
- 3. The barriers which exist to the availability of new affordable homes in different parts of the country.** For example, are there issues around availability of land? Are there sensitivities amongst existing communities towards the development of new affordable homes? Is the planning system facilitating the delivery of enough affordable homes?
- 4. The specific issues regarding affordable homes and the private rented sector.** For example, do tenants need more protection and extended tenancies? Will private investors deliver affordability, decent homes and security for tenants?
- 5. The specific issues regarding affordable homes and the social rented housing (council housing and housing associations).** For example, how can housing associations and local authorities build more homes for rent? Is the "Affordable Rent" initiative a help or a hindrance? Does giving a higher priority to those in work on waiting lists have a role to play in a re-vitalised public housing sector?
- 6. The specific issues regarding affordable homes and the owner occupation sector.** For example, could community land trusts play a bigger role in providing cheap homes to buy for example using intermediate options such as shared ownership? Does the FSA need to re-evaluate (reduce) risk associated with intermediate ownership and mutual ownership? Could compulsory insurance help provide security to buyers and lenders? Should more help be provided to people saving for a deposit?
- 7. New and innovative models.** For example, is there a need to do more to promote original methods to facilitate more house building for example mutual and co-operative solutions?
- 8. Welfare reform changes.** For example, are Housing Benefit changes making it difficult to manage housing costs and/or impacting on access to decent housing? What will be the cumulative impact of introduction of universal credit, the cap and direct payments as well as changes to crisis loans?
- 9. Other measures being proposed that might help to address the affordable housing crisis.** For example: rent controls, easing planning restrictions and/or creating a new planning use class of housing for rent, large investment in new homes provided by local authorities and housing associations, an affordability standard, assisting institutional (private) investors to fund affordable housing provision, a Royal Commission on Affordable Homes?
- 10. Prioritisation.** For example is it felt that the Government should give greater priority to delivering affordable housing? Is housing for supported (vulnerable) people also receiving sufficient attention from policy makers and politicians given its future importance?

## **Appendix II: List of those giving evidence to the Inquiry**

The Inquiry heard from all regions of England - from rural areas such as Cornwall and the Derbyshire Dales to urban hotspots such as Westminster and York - and it also heard from areas with significant deprivation, such as Hackney and Blackburn.

61 people representing more than 45 civic society organisations - from the public, private and third sectors - gave evidence:

Richard Kitson, former CEO of the Aster Group, South West Housing Initiative  
Simon Nunn, Assistant Director SW and Midlands, National Housing Federation  
Sarah Wayman, Senior Research and Policy Officer, National Union of Students  
Brenda Weston, Equality South West  
Alan Fox, Director, Cornwall Community Land Trust  
Peter Moore, Director, Cornwall Rural Housing Association  
Mandy Dunning, Bude and Holsworthy District Council, Volunteer Adviser to Citizens Advice Bureau (South West Service)  
Cllr Mike Lovell, Purbeck District Council  
John Golding, Head of Housing, East Devon District Council  
Stephen Lodge, Development Director, The Guinness Partnership  
Peter Burton, Head of Community Planning, Cornwall Rural Community Council  
Gwenda Beckley, West Country Housing  
Emma Payne, Vice President, Exeter National Union of Students  
Derek Long, National Housing Federation  
Geoff Fimister, National Association of Citizens Advice Bureaux  
Jon Warnock, Head of Consultancy, TPAS  
Charlotte Harrison, Northern Housing Consortium  
Ian Mearns MP, Northern Housing Consortium and Member of the APPG on Housing for the North  
Mike Clark, North East Housing Innovation Forum  
Cllr Paul Andrews, Manchester City Council  
Paul Beardmore, Association of Greater Manchester Authorities  
Cllr Tracey Simpson-Laing, Cabinet Member for Health Housing & Adult Services, City of York Council  
Nick Johnson, Urban Splash  
Dr Jenni Viitanen, IPPR North  
Hugh Owen, Director of Policy and Communication, Riverside  
Eamonn Boylan, Chief Executive, Stockport Council  
Cllr Bob Barr, Warrington Council  
Cllr Anthony Humphrys, Executive Member, Blackburn with Darwen Borough Council  
James Devlin, NW Tenants and Residents  
Alex Brown, Bradford District Tenants and Residents Federation  
Sue Widden, North Lancashire Citizens Advice Bureau  
Paul Norman, Manchester Metropolitan Union  
John Stewart, Director of Economic Affairs, Home Builders Federation  
Kate Dodsworth, Assistant Director for the South East, East of England and London, National Housing Federation  
David Rodgers, Executive Director, CDS  
Dave Prentice, General Secretary, UNISON  
Geoff Fimister, National Association of Citizens Advice Bureaux  
David Kidney, Head of Policy, Chartered Institute of Environmental Health  
Paul Sellers, Policy Officer, TUC  
Kate Purcell, UCATT

# THE HOUSING VOICE INDEPENDENT INQUIRY INTO THE AFFORDABLE HOMES CRISIS

## Volume I • Inquiry Report and Recommendations

John Gray, UNISON Housing Associations Branch  
Cllr Hitesh Tailor, Ealing Council  
Cllr Phillip Waker, London Borough of Barking and Dagenham  
Cllr Jonathon Glanz, Westminster City Council  
Paul O'Brien, Chief Executive, APSE  
Valerie Shawcross AM, Labour Deputy Mayoral candidate  
Dr Frances Hollis, Workhome project London Metropolitan University  
Tom Bolton, Senior Analyst, Centre for Cities  
Paul Hackett, Director, Smith Institute  
John Slaughter, Director of External Affairs, Home Builders Federation  
Gemma Duggan, Lead Manager West Midlands, National Housing Federation  
Ian Potter, Operations Manager, Association of Residential Letting Agents (ARLA)  
Tom Murtha, Chief Executive, Midland Heart  
Nic Bliss, Chair, Confederation of Co-op Housing and Commissioner, Commission on Co-operative and Mutual Housing  
Jack Dromey MP for Birmingham Erdington and Shadow Minister for Communities and Local Government  
Siôn Simon, former MP for Birmingham Erdington  
Cllr John Phillips, Cabinet Member for Place Shaping, Wyre Forest DC  
Eileen Short, Chair, Defend Council Housing  
Councillor Robert Cogings, Executive Officer, Derbyshire Dales Council  
Glyn Thomas, Vice Chair, CDS Co-operatives

The Housing Voice Inquiry also received written evidence from 25 organisations.

- Blackburn with Darwen Borough Council
- Building and Social Housing Foundation
- City of York Council
- Chartered Institute for Environmental Health
- Citizens Advice Shropshire
- Citizens Advice South West Region
- Cumbria Housing Executive Group
- London Metropolitan University
- Labour Land Campaign
- London Borough of Hackney
- National Housing Federation, South West
- Northern Housing Commission
- North Lancashire Citizens Advice
- National Union of Students, Manchester Metropolitan University
- Purbeck District Council
- Residential Landlords Association
- Solent Housing Partnership
- South West Housing initiative
- TUC
- UCATT
- Unite the Union
- UNISON North West Region
- UNISON Northern Region
- West Dorset District and Weymouth and Portland Borough Councils
- Wulvern Housing

2,902 “civic voices” responded to the Inquiry survey.



## Appendix III: Results of the Housing Voice survey

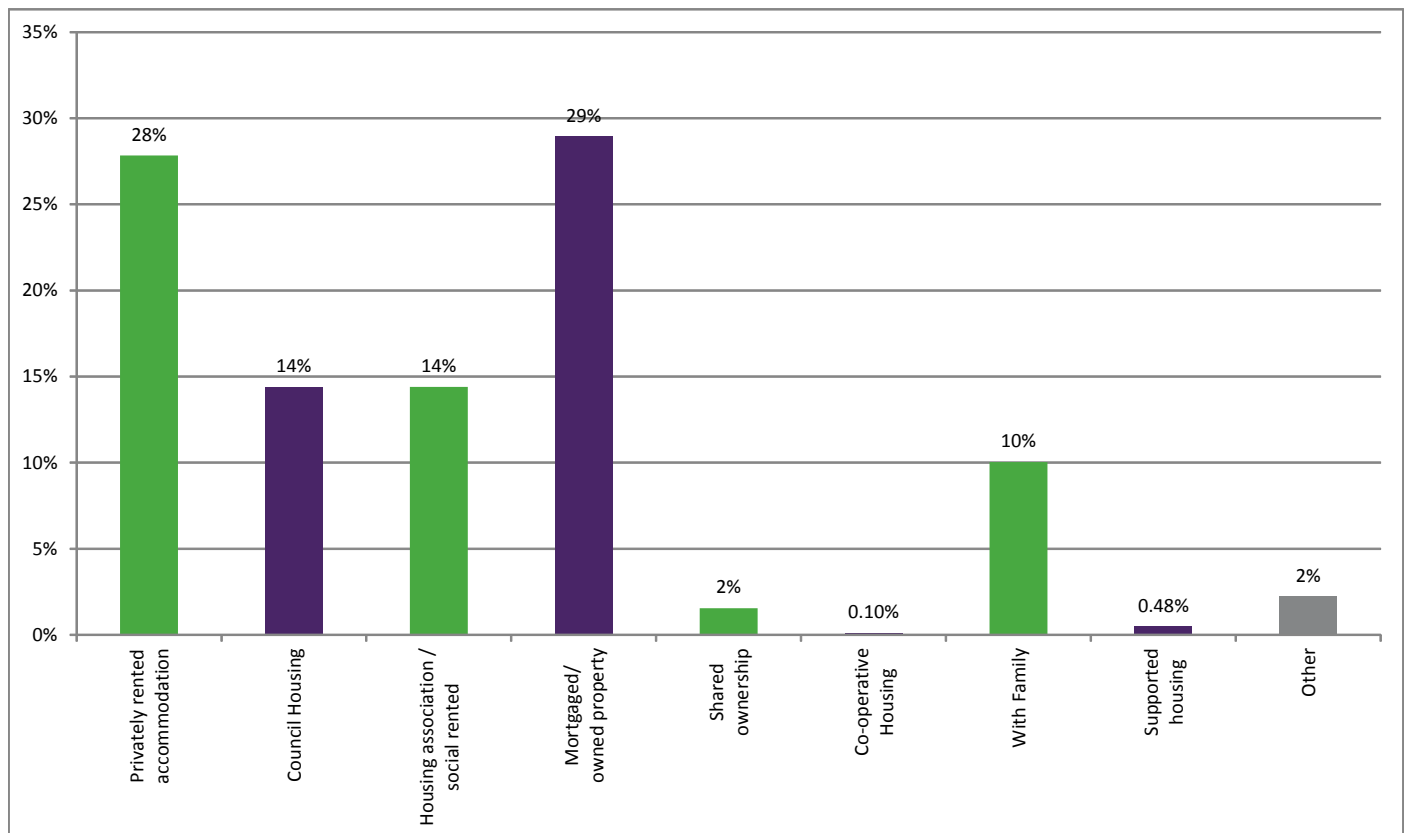
As part of the Housing Voice Inquiry, a survey was undertaken between December 2011 and March 2012. The survey was available online via the Housing Voice website and also a hard copy version was made available via Citizens Advice Bureaux across the country.

2,902 people responded to the survey. These voices worked to confirm our assumptions: that there is an affordable housing crisis in England.

The survey asked 8 questions of respondents:

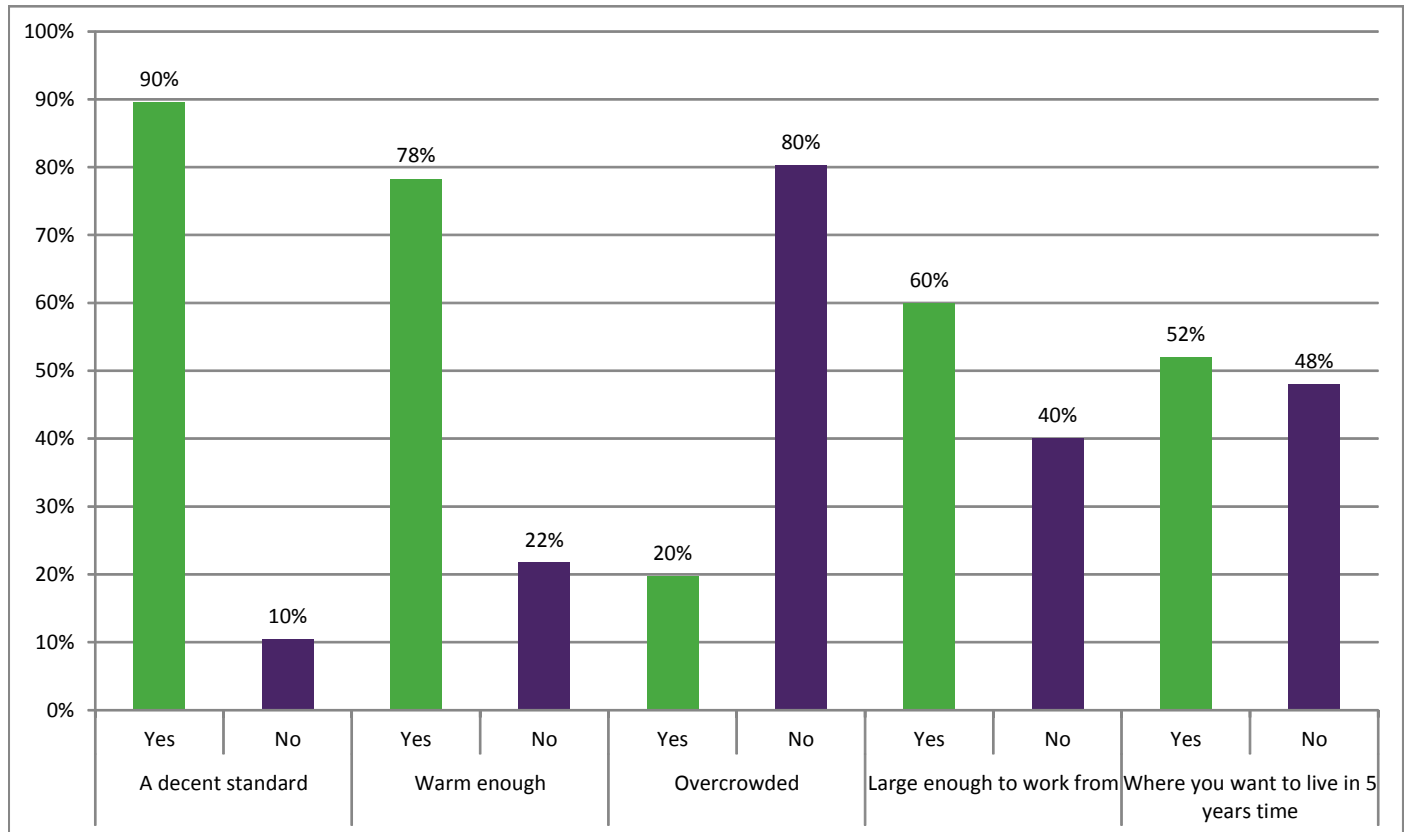
1. Where do you currently live?
2. How would you describe your current home?
3. Have you ever found it difficult to afford your rent or mortgage payments?
4. What proportion of your average (weekly/monthly) household income do you estimate goes towards meeting your housing costs (i.e. rent/mortgage)?
5. Which of these do you think is the biggest barrier to accessing affordable housing?
6. Should greater political priority be given to delivering affordable housing?
7. Would you be in favour of...?
8. Would you be interested in giving evidence or attending one of the forthcoming hearings?

### Question 1: Where do you currently live?



The majority (57%) of people surveyed lived in either the private rented sector or were owner occupiers.

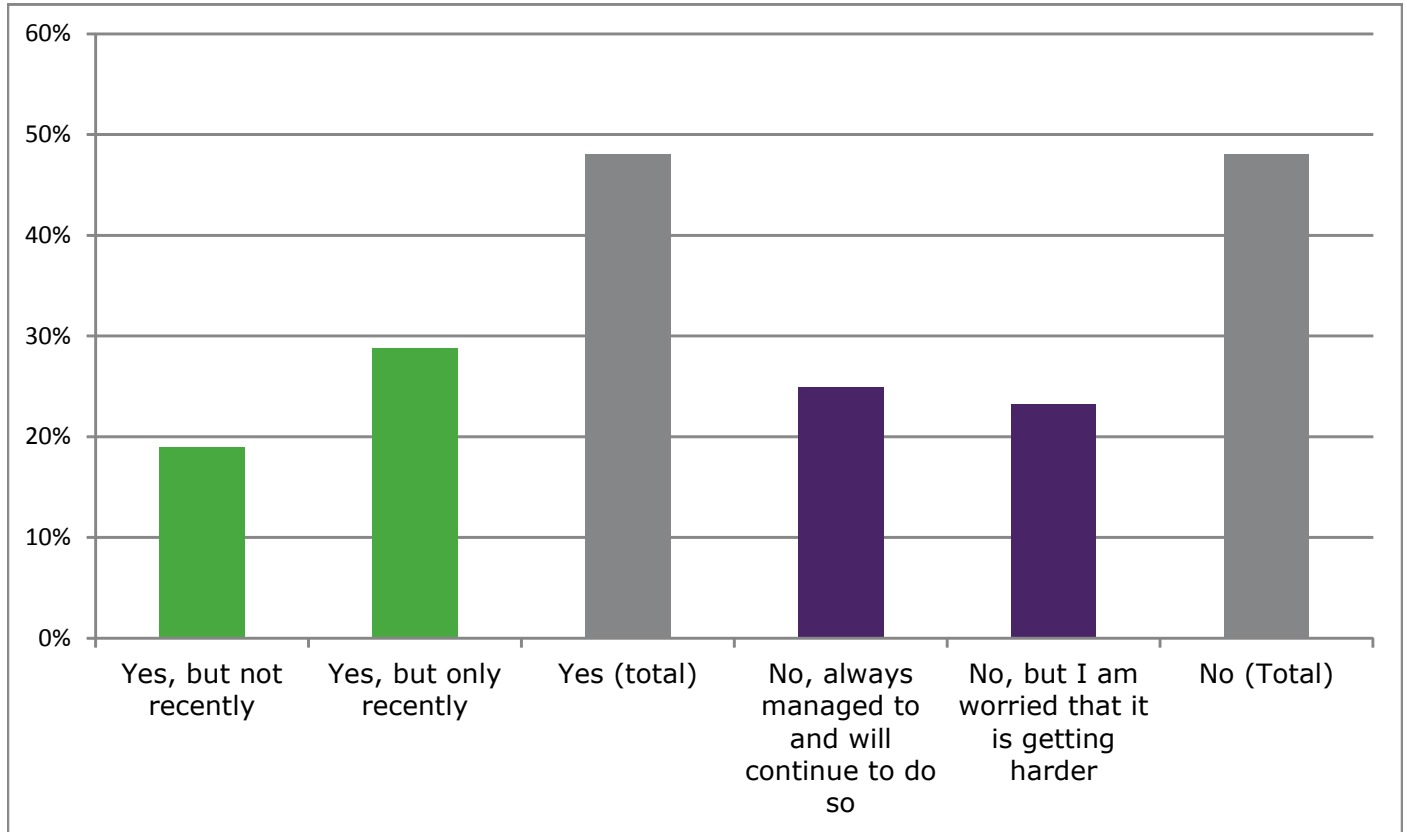
**Question 2: How would you describe your current home?**



The vast majority of respondents said that their homes were up to a decent standard (90% against 10%), and a similarly high proportion of respondents also said that their homes were warm enough and not overcrowded (78% and 80%). A figure of 1 in 5 households living in overcrowding is, however, a very high figure.

Whether or not the respondents wanted to still be living in their home in 5 years' time was more equal, with just 4% separating them. The findings of this question suggest that the standard of housing in the UK is actually quite high but that aspiration for better or less crowded housing was an issue.

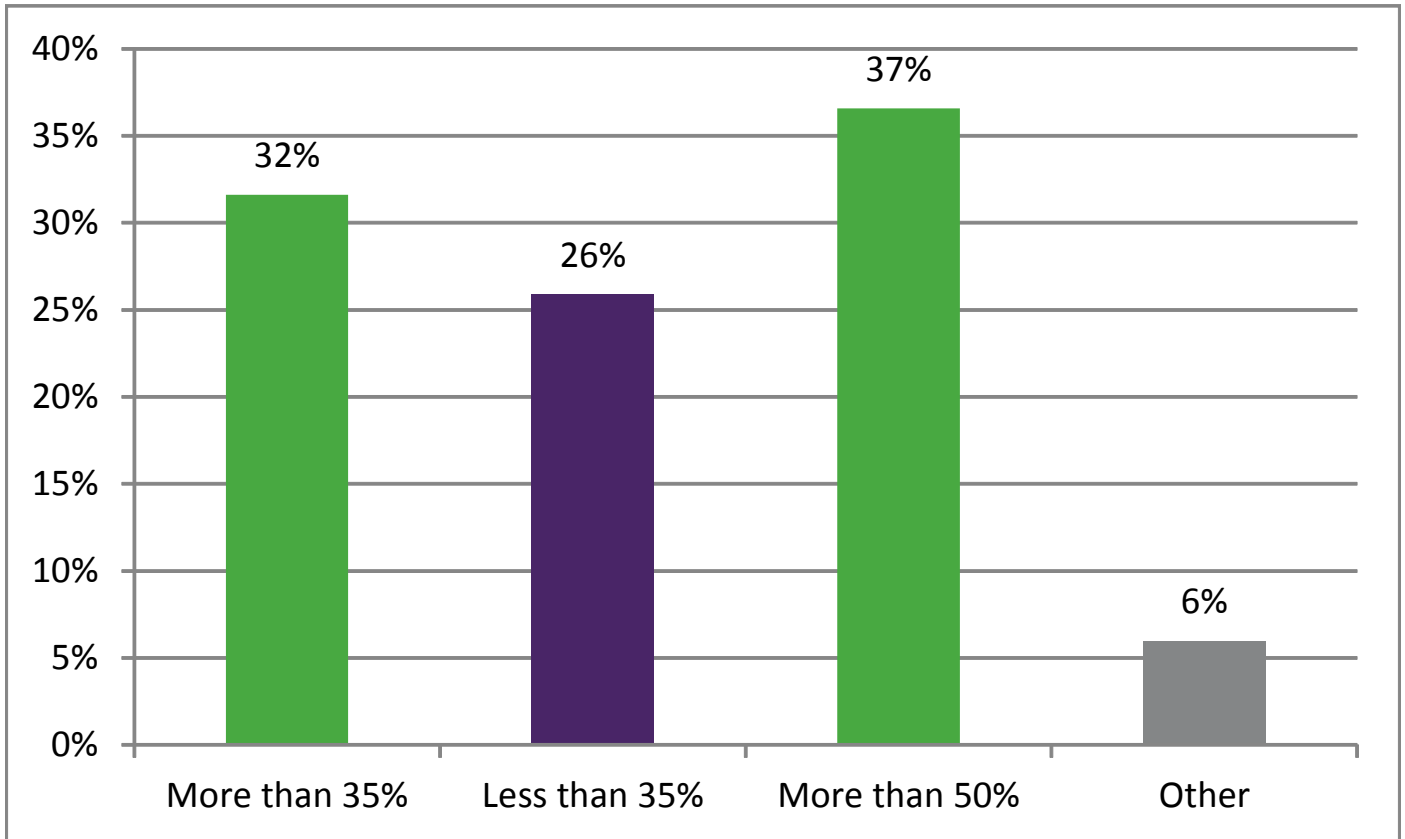
**Question 3: Have you ever found it difficult to afford your rent or mortgage payments?**



Respondents were equally divided on whether they have or have not had trouble affording their rent or mortgage payments. 77% of respondents who had difficulty said that they were having problems meeting payments.

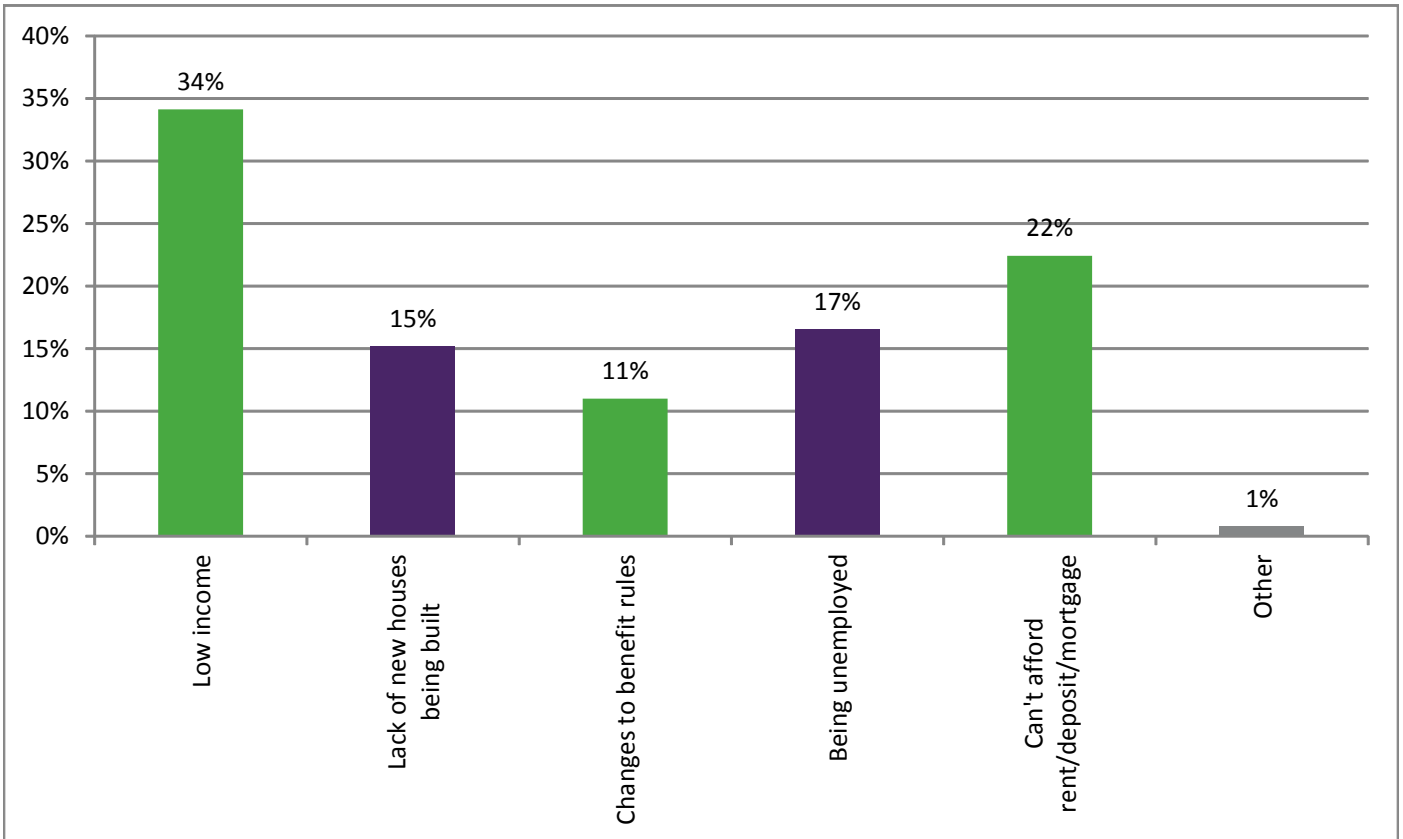
A further 23% of the respondents suggested that they were worried about future payments.

**Question 4: What proportion of your average (weekly/monthly) household income do you estimate goes towards meeting your housing costs (i.e. rent/mortgage)?**



37% of respondents pay over 50% of their income on housing – which highlights the need for greater levels of affordable housing in the UK. Only 26% of the respondents pay less than 35% of their income on housing, the benchmark for affordable housing.

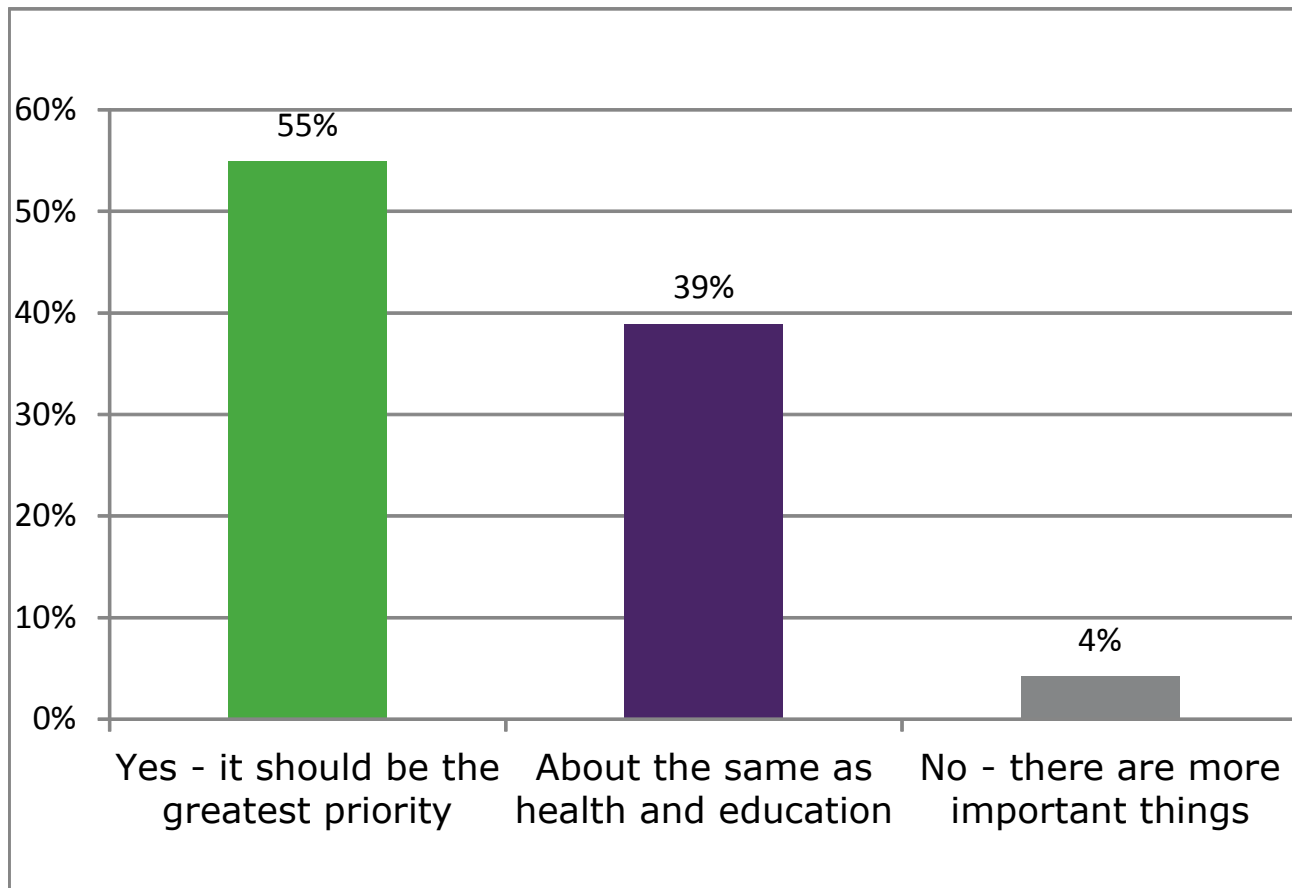
Question 5: Which of these do you think is the biggest barrier to accessing affordable housing?



56% of respondents cited low income and affordability as the biggest barrier to accessing housing.

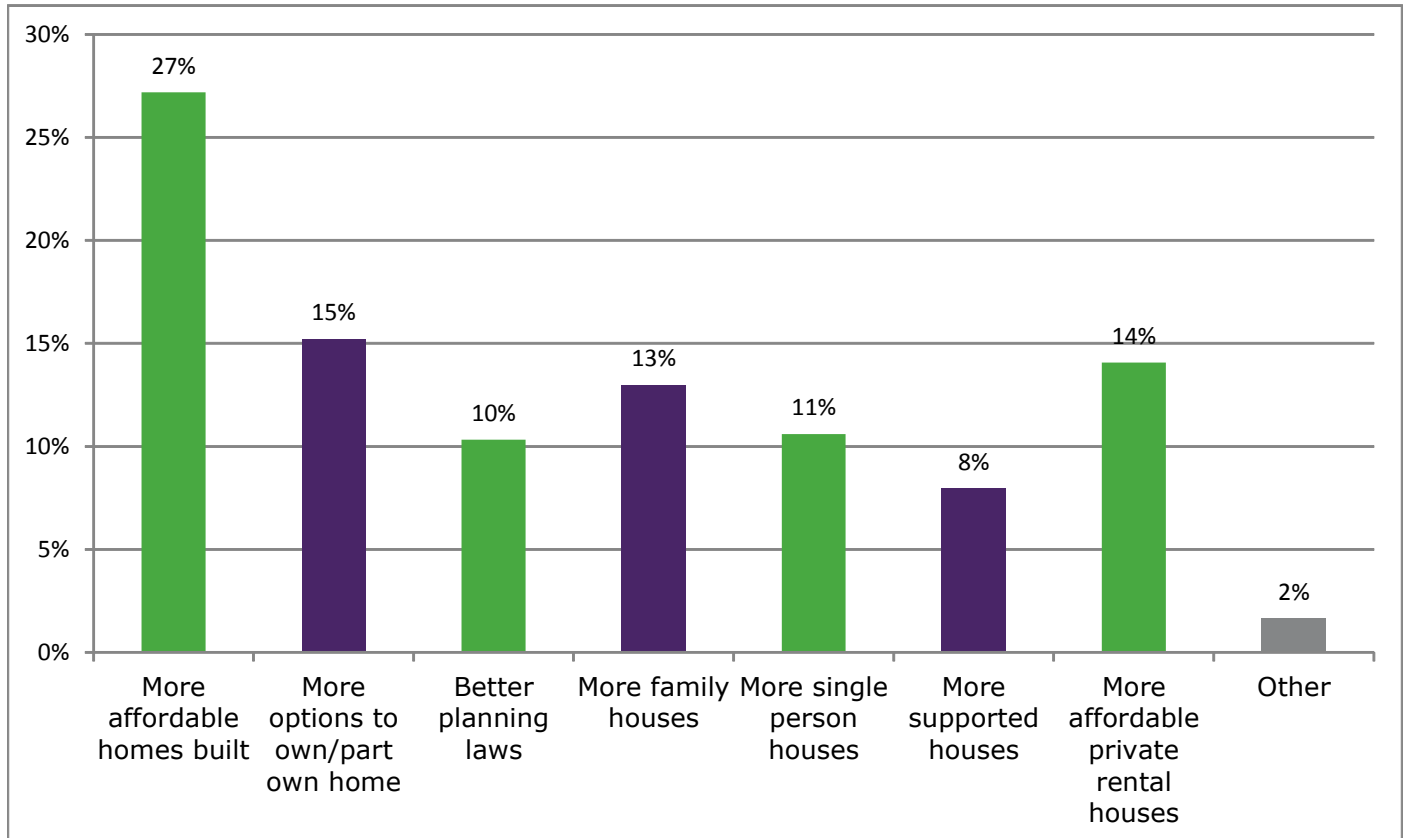


**Question 6: Should greater political priority be given to delivering affordable housing?**



Over half of respondents feel that the delivery of affordable housing should be considered the Government's greatest priority at the moment. 55% of those responding agreed that the Government's top priority should be delivering affordable housing. 96% of recipients believe that housing should be at least as high a priority as health and education.

Question 7: Would you be in favour of...?



Respondents were asked about “solutions” and were allowed to choose more than one option. The need for more affordable housing to be built was cited as the most popular solution to the affordable housing crisis, receiving almost twice as many responses as the other options. People wanting more options to be able to own or part own homes and more family and private rental housing were also desired solutions.





**HOUSING VOICE**  
THE AFFORDABLE  
HOMES ALLIANCE



Funded by UNISON GPF



Housing Voice • 020 7592 9592 • [www.housingvoice.co.uk](http://www.housingvoice.co.uk)