UK Housing Review

Hal Pawson and Steve Wilcox

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2010 Briefing Paper

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UK Housing Review Briefing Paper
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UK Housing Review website: **www.ukhousingreview.org.uk**

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Published by the Chartered Institute of Housing

The facts presented and views expressed in the *Briefing Paper*, however, are those of the author(s) and not necessarily those of the CIH.

Layout by Jeremy Spencer
Cover illustration by Richard Gardner, Colourtone, Taunton
Printed by Sharp Edge Print & Marketing

The UK Housing Review

The best source of data and analysis on housing – *updated!*

For the first time, to coincide with the CIH annual conference at Harrogate, the long-established source of data and analysis on UK housing issues – the *UK Housing Review* – is the subject of this special *Briefing Paper*.

This year, following the establishment of the coalition government in May, the Harrogate conference is even more important than usual, providing the first opportunity for the housing world to meet new ministers and consider the effects of the new government's policy changes.

The conference will also be debating the economic background, the Budget on 22 June and how its measures affect housing, and of course the prospects for revival of house building and the housing market.

This *Briefing Paper* is an up-to-the-minute briefing on these and other current issues which the new government is considering, together with a summary of key data. It provides expert analysis by the two authors of the *UK Housing Review*, Professors Steve Wilcox and Hal Pawson. Like the full *Review*, the intention is to provide a robust evidence base and analysis to inform policy-making.

Readers wanting fuller data can find updated tables at the University of York website **www.ukhousingreview.org.uk** and for full analysis and comprehensive data the current edition of the *Review* is available at the CIH stand.

Readers should of course also look out for the next edition of the full *UK Housing Review 2010/2011*, to be published by the Chartered Institute of Housing in December. As in previous editions, this will include full data for Scotland, Wales and Northern Ireland, where available – something which was not feasible for all parts of this *Briefing Paper*.

Sarah Webb CBE
Chief Executive
Chartered Institute of Housing
June 2010

Introduction

There is no doubt that the years ahead will be uniquely challenging on a number of levels, and present a far from comfortable test-bed for the new coalition government.

Trying to steer a course that sustains economic recovery, reduces levels of government deficits, maintains the confidence of the financial markets, and at the same time seeks to preserve essential public services, will be highly problematic.

It will require sound judgement and hard choices; and even with those the prospects of the government being able to achieve some kind of balance between the conflicting objectives will depend as much on international developments as on the conduct and choices of the UK government.

As always the housing market is a critical part of the UK economy, and supporting the recovery of house building levels would make an important contribution towards sustaining economic growth in a period when public expenditure constraints will inevitably have negative economic effects.

While some aspects of the constraints on public spending are unavoidable, the new government also has the opportunity to recast the broken and idiosyncratic spending rules it inherited from the previous government.

Adopting new spending rules based on international conventions would be more transparent for the international financial markets the government is seeking to reassure, and at the same time would provide greater freedom for local public enterprises to contribute to economic recovery and social development.

In this broad and difficult context there are a number of critical housing policy issues that both the government, and all those involved in the housing sector, will need to address – and a number of those issues are the focus of this *Briefing Paper*.

Supporting the private housing market

The new government has inherited a flawed safety net for homeowners, that has been patched over by a range of temporary measures in response to the credit crunch. A new long-term policy framework needs to be put in place before the temporary measures come to an end.

Tighter mortgage regulation is set to remain in the future, and will reinforce the current market requirements for first-time buyers to contribute substantial deposits. There is now a wealth barrier as well as an income barrier for entry to homeownership, and this bears most heavily on those without a background of family wealth they can draw upon. Policies to assist households with entry to homeownership need to be reformulated to respond to both these barriers.

The flexibility that an active private rented sector brings to the housing market has been widely welcomed. However in a context where capital growth is likely to be much less significant than during the decade before the credit crunch, the financial returns for new investment will be far less attractive. The viability of the sector is made more difficult by the continuing fiscal bias in favour of owner-occupation (benefiting existing owners rather than first-time buyers).

The new government is committed to using incentives rather than directives to support planning provisions for new housebuilding; but the early indications are that the incentives on offer are unlikely to be sufficient to offset local resistance to new housing in many areas. This is a potential blow to the government's economic policy as well as to the housing market.

Supporting the social housing sector

This will be inherently difficult given wider public spending constraints, and the 'unprotected' status of housing budgets. However a change in the spending rules to free up council prudential borrowing could make a very positive contribution, while the English HRA reforms could then also contribute to a reduction in government debt.

Social housing agencies will, inevitably, need to take a hard look at their current portfolios and assets, and consider how they can be best utilised to respond to today's needs and priorities. There are opportunities here as well as challenges.

Questions will also clearly need to be asked about social sector rent policies. Higher rents could be used to provide more resources for investment both in stock improvements and new developments. However this will be partly offset by housing benefit costs, and the costs to government resulting from the impact of higher rents on wider inflation. If higher rents are to be introduced the government will need to be convinced that they will be fully utilised to support its investment priorities.

Environmental Sustainability

The new government has already committed itself to maintaining the drive towards all new homes meeting the zero carbon standard by 2016. However, both in environmental and economic efficiency terms, the more important issue is to accelerate programmes to improve the energy efficiency of existing dwellings in the public and private sectors. There are established technologies for this, and a plethora of initiatives by different government departments and agencies, but no overall co-ordination or strategy.

All these issues, and others, are covered in the briefing pages that follow.

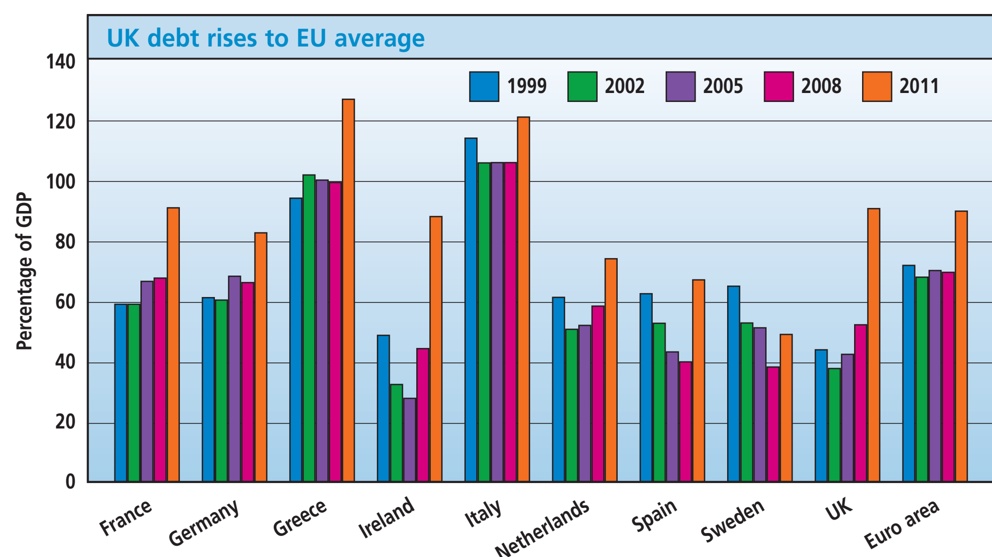
Economic prospects

The dominant expectation, as expressed by the OECD among others, is that there should be a steady but not spectacular world economic recovery in the years ahead, but not without some downside risks as a consequence of spending reductions by governments across Europe and the rest of the world.

In the run up to the UK election views on the balance of risks between excessive government deficits prompting a financial crisis and higher costs in servicing government debt on the one hand, and premature or excessive public spending cuts damaging the prospects for economic recovery on the other, became politically polarised. The reality is that both these potential risks are still there, regardless of the political instincts of the elected government, and it will require hard choices and careful judgement if they are to be effectively managed.

The biggest downside risk is the potential impact of market concerns about the debt levels of Greece and some other EU countries. That in turn inevitably raises the level of concerns about debt levels in the UK, as while pre credit crunch UK debt levels were well below the EU average, its annual deficits are running much higher, and by next year the UK debt will have reached average EU levels.

At the same time the more acute anxieties about how the EU manages the immediate problems with the Greek debt have seen a depreciation of the euro against the pound, thus weakening the competitiveness of UK industry in European markets. More generally the concerted actions by European governments to cut government deficits have placed greater dependency on economic growth in the Asian economies to drive – and sustain – a world-wide recovery.



Source : OECD Economic Outlook Database. Figures are for General Government Gross Debt.

It is in this still uncertain world context that the UK government has to make its difficult decisions in balancing government debt management and sustaining UK economic recovery. Those decisions will in part be framed by the analyses of economic prospects and public finances by the newly created and independent Office for Budget Responsibility (OBR).

While past Treasury economic forecasts have compared reasonably well against independent forecasts, those by the OBR will have the important advantage of being seen to be independent. One immediate and central issue is around the ORB revisions to the March Budget 2010 economic forecasts (Table 11, UKHR website).

While the Treasury forecast for one to 1½ per cent economic growth in 2010 was in line with the average of independent forecasts, the March forecast for three to 3½ per cent growth in 2011 was some way above the average independent forecast of 2.1% growth. Consequently while the Treasury forecasts a modest decline in unemployment in 2011, the independent forecasts suggested it would remain unchanged at around 1.7 million.

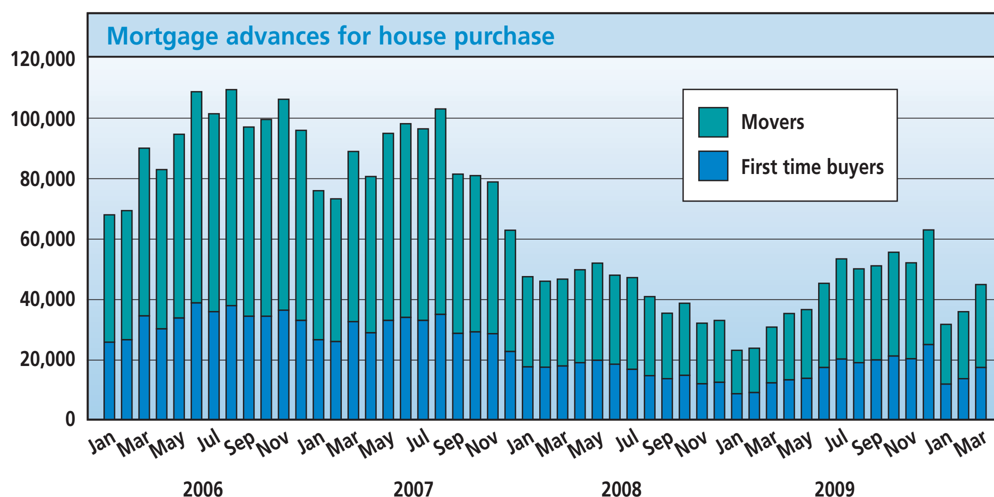
The OBR has now revised the economic forecasts for 2011 and 2012 downwards to 2.6% and 2.8% respectively. However at the same time is has based its forward economic and public expenditure forecasts on 'central' rather than 'cautious' assumptions, and this to a large degree offsets the impact of the lower growth assumptions on the headline figures. It leads to a marginally higher forecast of fiscal deficits as a proportion of GDP, but leaves in place a forecast of declining claimant unemployment; at least before taking account of any fiscal tightening in the June Budget.

One point to note is that international economists and finance markets assess governments' fiscal stability against international yardsticks – and not the unique measures applied in the UK. The UK debt levels shown in the graph, based on the international general government gross debt (GGGD) measure, include the cost of the government's interventions in the financial sector (which will amount to some £120 billion or 8% of GDP by 2011). But with economic and financial market recovery, government sales of its banking interests should significantly reduce the UK GGGD relative to other countries, and offset the potential rise of UK debt above EU averages in the years ahead. The economic – and housing – case for adopting internationally recognised measures of government debt is made on page 14.

Housing market prospects

As ever the prospects for the housing market are closely linked to those for the wider economy, but there are particular uncertainties about the rate at which the house building and mortgage markets can recover from the dislocations caused by the credit crunch.

Housing market activity remains low, and the mild fillip to the market provided by the increased stamp duty threshold (£175,000) ended in 2009, with the threshold reverting to £125,000. However the March 2010 Budget announced a higher £250,000 threshold for first-time buyers only for the next two years, and that will provide them with a modest advantage compared with existing owners and buy-to-let purchasers.



CML : Mortgage Lending Statistics.

Lower interest rates have also eased the costs of mortgage repayments, albeit that house prices have also begun to rise. Between January 2008 and March 2009 prices fell 15% from their peak, but have since recovered half of that fall (based on the CLG mix-adjusted house price index). However, over the same period the average interest rate for new mortgages fell from 5.9% to 3.8% (CML mortgage lending data from the Regulated Mortgage Survey). While only a fall of one-third in the interest rate, it translates into a 20% fall in repayments on a 25-year standard mortgage. The net result is that, despite the partial recovery in house prices, mortgage costs for new purchasers remain more than a quarter below the levels at the pre credit crunch peak.

However, while affordability has improved there are still major constraints on the availability of mortgages, especially for first-time buyers with limited deposits. While the last government's financial sector interventions prevented a potential meltdown, there remain fundamental constraints on the supply of mortgage finance following the collapse of the securitisation market in 2008 – that hitherto supplied around 30% of all mortgage funding (Wilcox and Williams, 2009).

Funding for new mortgages now depends far more heavily on retail savings and on accelerated repayments of existing mortgages by homebuyers taking advantage of lower interest rates. The latter are, however, offset to some degree by the requirement for lenders to offer forbearance arrangements to homebuyers in difficulties (see page 7).

Given scarce funds and an uncertain market, lenders have logically and predictably focused on low-risk lending, and sharply curtailed availability of mortgages with high loan-to-value ratios. These constraints – reflecting current market conditions – are likely to be reinforced by FSA proposals to require a more prudent approach to mortgage lending, although perhaps with no outright ban on high loan-to-value mortgages. The requirement for higher first-time buyer deposits looks set to remain, and this has major policy implications that are discussed on page 8.

One of the factors dampening the fall in house prices has been the limited numbers of properties being put forward for sale. While the sharp downturn in new house building was a factor, this accounted for only a small part of the overall fall in transactions in England and Wales from 1.6m in 2007 to just over 900,000 in 2008. The major part of the reduction is existing owners staying out of the market (possibly renting properties out for a while rather than selling).

The shortfall in new house building relative to household growth (see page 10), especially in London and the south east, will generally tighten market conditions. But in the short run the potential upward pressures on house prices are likely to be offset by the volumes of resale properties returning to a slowly recovering market. It will not, however, be a return to business as usual. Both the structural changes in the mortgage finance market, and the new regulatory framework, will have an enduring impact.

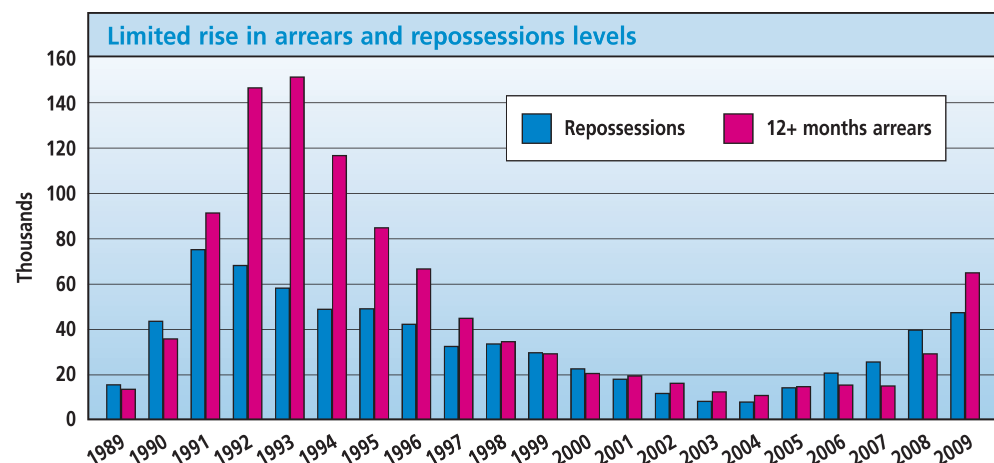
References

Wilcox, S and Williams, P (2009) 'The emerging new order?' in *UK Housing Review 2009/2010*. Coventry: Chartered Institute of Housing.

Bank of England (2010) *Trends in Lending* (May).

Containing repossessions

The rise in repossessions following the credit crunch has, so far, been contained well below the levels experienced in the housing market 'bust' in the early 1990s. There are several reasons – in particular the sharp reduction in mortgage interest rates, especially for households with variable mortgages linked to the bank rate, and unemployment rising less rapidly than at one time feared.



Source : CML. Arrears and repossessions for Great Britain.

Levels of repossessions have also been contained by a range of government and industry initiatives:

- The nine-month waiting period before unemployed claimants could get help with their mortgage costs was reduced to 13 weeks.
- The cap on maximum help was increased to cover a £200,000 mortgage, and the standard interest rate has been frozen at 6.08%.
- Additional funding was provided for debt advice.
- The Mortgage Pre-Action Protocol (MPAP) was introduced, requiring lenders to show that they had discussed alternative options with borrowers.
- A Mortgage Rescue Scheme (MRS) was introduced.
- A Homeowners Mortgage Support (HMS) scheme to promote lender 'forbearance' was introduced.
- FSA regulatory requirements, the MPAP, HMS, and market conditions, all prompted lenders to exercise restraint and adopt forbearance policies of their own.

The increase in lender forbearance is reflected in the sharp rise in the numbers of mortgages with 12(+) months of arrears in 2009, compared to the more modest rise in repossession levels. Whether this continues in 2010 will depend on the effectiveness of the new government's economic strategy. Unemployment is still rising, and private sector economic recovery will need to be strong enough to offset the impact of public expenditure cuts to avoid that rise accelerating.

But beyond that the government needs to consider how it is going to construct a more enduring safety net for homeowners who run into financial difficulties, as many of the government initiatives to contain repossessions are time-limited. One positive prospect is the FSA proposal to strengthen their guidance on 'repossession as a last resort', by upgrading it to a regulatory requirement.

More problematic is the potential scaling back of the improved help with mortgage costs currently being provided to unemployed owners through the DWP Support with Mortgage Interest (SMI) scheme.

The original nine-month period of delay was introduced in 1995 with the objective of encouraging homeowners to take out private sector 'mortgage payment protection insurance' (MPPI) policies. That policy did not work. Take up of MPPI never reached target levels, and then fell back when the policies were brought into disrepute because of miss-selling, and have since been criticised by the OFT and the Competition Commission.

The DWP's action in reducing the delay period to 13 weeks was an acknowledgement of the policy failure, and now makes a return to that failed policy even more problematic.

An earlier JRF report proposed a new scheme to combine the elements of SMI and MPPI for all mortgage holders, to be run as a public-private sector partnership (the Sustainable Home Ownership Partnership – or SHOP). The costs of the scheme were proposed to be split between government, lenders and borrowers, with the potential for significant savings both as a result of economies of scale and removing retail costs.

The scheme would also have the advantage of removing the requirement for a standard interest rate for the SMI-based component of the scheme, as each borrower's own contribution to the costs would set the level of benefits for which they would be eligible. The scheme was originally given a cool reception by lenders, not least because it would be compulsory – in effect replacing existing MPPI policies. However with the impact of the credit crunch, and the prospects of tighter FSA regulation, attitudes to such a scheme may now be more favourable.

Reference

Stephens, M, Dailly, M and Wilcox, S (2008) *Developing safety nets for home-owners*. York: JRF.

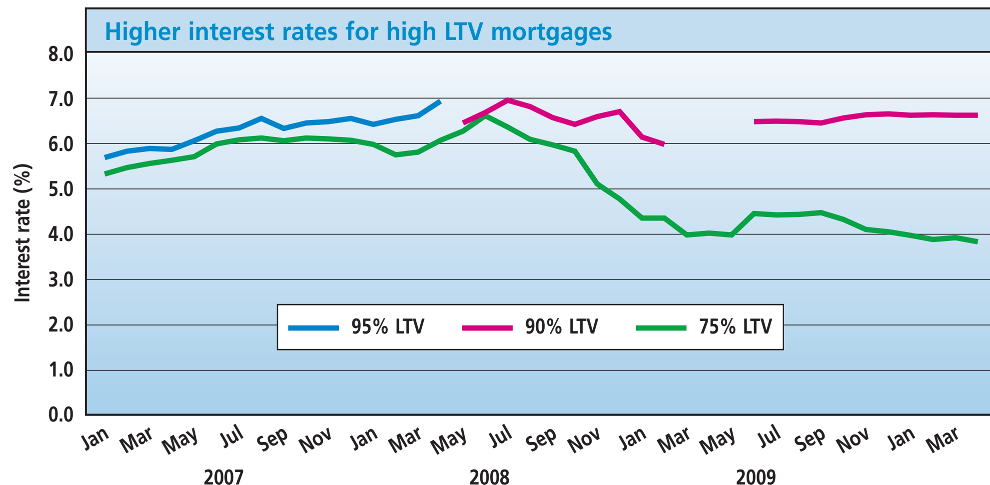
The deposit barrier for first-time buyers

Before the credit crunch the primary constraint on access to homeownership was affordability. Access to wealth and the ability to provide a deposit eased the affordability pressures for some households looking to buy, but it was not a fundamental requirement.

But now, and into the future, access to wealth and a deposit have become far more important in determining whether or not households will be able to become homeowners. The credit crunch has seen both a sharp fall in the proportion of mortgage advances that have a high loan-to-value (LTV) ratio, and an increased premium as a cost for those mortgages that are made available at higher ratios.

In 2007 a third of all mortgage advances represented more than 90% of the value of the property being purchased, and for first-time buyers three-fifths of all mortgage advances had an LTV ratio of over 90%. Indeed a third of all first-time buyer advances had an LTV of over 95%, and this included 10% where the mortgage advance was equal to, or exceeded, the value of the property.

Post the credit crunch the proportion of high LTV mortgage offers fell sharply, and now only 2% of all mortgage advances, and 5% of advances to first-time buyers, have an LTV ratio over 90%.



Source : Bank of England. Average quoted rates on two-year fixed rate mortgages.

But even if first-time buyers can obtain a 90% mortgage they still face far higher mortgage costs than purchasers with more equity and therefore security for the lender. While there have long been differential mortgage rates for buyers with high LTVs, and in the past a requirement for Mortgage Indemnity Guarantees, the credit crunch has sharply increased the differential in the rates for mortgages with low and high LTVs.

As the mortgage market recovers, and lenders become more confident of its stability, the differentials in pricing may ease back, but they are very unlikely to return to pre-crunch levels. Similarly there is likely to be some easing in the availability of higher LTV mortgages, but FSA regulatory requirements will act as a constraint even when the market has recovered.

There is in consequence now a much clearer wealth barrier as well as an income barrier for households aspiring to homeownership. This wealth barrier also represents a new inter-generational barrier to housing and social mobility.

Even before the credit crunch, rising affordability constraints had seen average first-time buyer deposits rise as a percentage of the purchase price – and even more so in cash terms. In 1996 the average first-time buyer deposit was 10%; by 2006 it was 16%, and after the credit crunch in 2009 it shot up to 25%.

In the early 1980s nearly a quarter of all first-time buyers purchased with a 100% mortgage, while just some 5% were aided by a gift or loan from family or friends. Two decades later, in the early 2000s, 100% mortgages for first-time buyers were still almost as prevalent, but the proportion aided by a gift or loan from family or friends had risen to over one in five. Post the credit crunch those proportions are likely to rise sharply again, and new households without a family history of homeownership will be further disadvantaged.

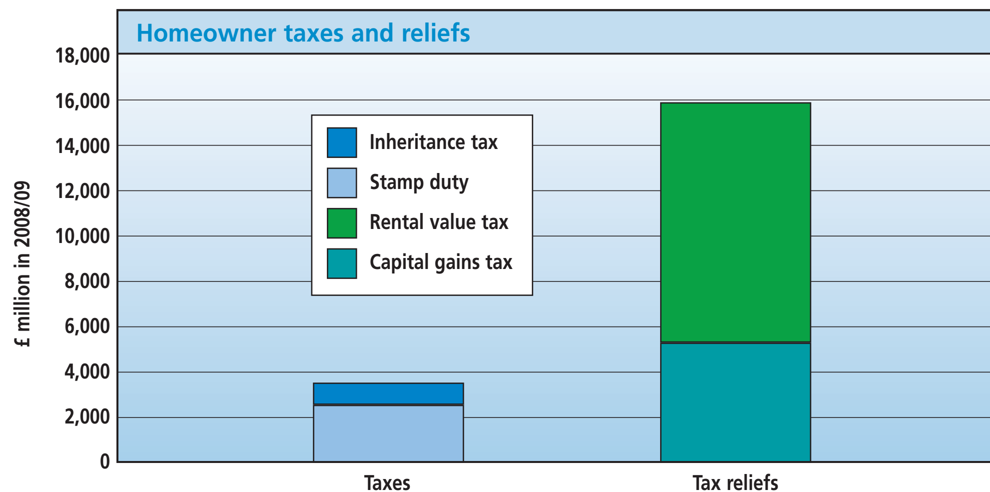
In some respects this change is reminiscent of the pre-1980 arrangements, before the mortgage market was deregulated, when building societies typically required 5 – 10% minimum deposits. But back then far fewer new households had homeowner parents, let alone grandparents, and gifts or loans from families or friends played a much smaller role.

This new situation suggests a need to review current policies designed to help households to access homeownership. The conventional shared ownership model is structured to deal with affordability constraints, rather than deposit and mortgage constraints. Without returning to the excesses of the pre credit crunch years more thought needs to be given to helping households who would have sufficient income to obtain mortgages with an LTV of over 90%; and to ways of reducing the higher marginal costs associated with high LTV mortgages.

Housing taxation

The abolition of mortgage interest tax relief for homeowners in 2000 significantly reduced the long-standing fiscal bias in favour or owning rather than renting – one of the factors that had fed the decline of the private rented sector in the UK throughout the twentieth century.

However there is still a continuing, if less pronounced, fiscal bias in favour of homeownership relative to private renting, with the tax relief that owners still receive being worth far more than the income from the property taxes they face.



Source : UKHR 2009/10.

The two main property taxes that bear on homeowners are stamp duty and inheritance tax. While both go wider than just homeowners, the graph shows an estimate of the yield from those taxes that derive from owner-occupied dwellings.

The two continuing forms of tax relief enjoyed by homeowners are from capital gains tax (CGT) and relief on the imputed rental value of the home which the owner occupies. This imputed value was taxed until 1963 (albeit at a very low value), and was the logical counterpart to mortgage interest relief as an offset. This was a parallel to the arrangements for private landlords as the rental value of owners' homes is an income 'in kind' equivalent to the cash income a landlord receives from tenants.

It would have been logical for mortgage interest tax relief to be abolished at the same time as Schedule A tax, but it was another 37 years before that occurred.

While that did reduce the fiscal advantages of homeownership it did not remove them, as the absence of Schedule A tax (based on realistic values) has a very substantial net value even after full allowance is made for mortgage interest against the gross imputed rental values. (The estimate of the relief shown in the graph is net of provisions for an offset for mortgage interest expenditures.)

The graph also shows an estimate of the gross value of CGT relief, as calculated by HM Revenue and Customs. However the figures assume that the tax is levied at the full rate, without any provision for the 'roll-over relief' which defers the application of the tax when the proceeds from the sale of a home are fully re-invested in another home – typically a feature in those countries, such as Sweden, where the tax applies to homeowners.

If roll-over relief were provided for, the Swedish experience suggests this would reduce gross yield by some 40%. Conversely if the rate of CGT is increased, as anticipated, in the second 2010 Budget, then this will also increase the value of the relief to homeowners. However it should be recognised that if CGT ever was applied to homeowners' primary residences this would itself have an impact on property values and would reduce the effective yield of the tax.

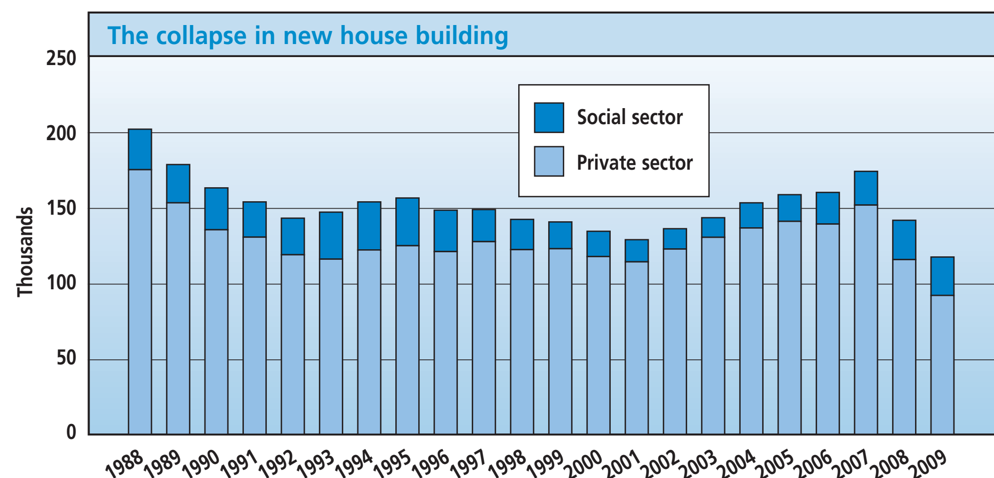
The graph does not include council tax, as that is a hybrid rather than a property tax, which applies to households in all tenures. In that sense it can be regarded as relatively tenure neutral, although the substantial damping of the effective rate of council tax for higher value dwellings also provides disproportionate advantages for homeowner households.

There are no immediate prospects of any UK government fundamentally reducing the very substantial net tax advantages these reliefs provide for homeowners. This is partly politics, and partly their low visibility – particularly in respect of the tax relief on the 'in kind' benefit of rental values which is an unfamiliar idea outside economic and taxation theory and history.

But the practical importance of those reliefs does need to be recognised. They create a fiscal bias in favour of existing homeowners that inflates values, and therefore the costs for providers and households in other tenures, as well as for households newly seeking to enter homeownership. In an age of austerity that fiscal bias is hard to justify, however politically difficult it is to challenge.

Increasing housing supply

The last government set ambitious national and regional targets for levels of new house building, with the aim of increasing building levels towards the projected future rate of household formation. But even before the credit crunch the increases in building levels achieved in a buoyant market were modest; and post the credit crunch output has fallen sharply (and it would have fallen even further had it not been for the 'Kickstart' programme).



Source: CLG live tables, English completions by sector.

The upshot is that in 2009 the 118,000 new dwellings built were less than half the level required to match the projected rate of household growth. Those projections were made before the economic and social impacts of the credit crunch. One consequence of that has been a decline in the level of net inward migration. However the 2008 population projections (on which the next round of household projections will be based), take that into account but also reflect a further improvement in how long we all live. The net effect is only a modest reduction in overall projected population growth, but with an accelerated growth in the older population.

While the new government's policies on migration may also have a small impact, there will still be a requirement to increase house building rates to levels not achieved for twenty years – if they are to match household growth and prevent a further tightening of the housing market with all the dysfunctional consequences that entails.

It is in that challenging context that the new government is proposing a radical change in the planning regime, with local authorities and their residents being given a far greater role. Central government will aim to achieve its objectives not by setting targets, but by providing financial incentives for authorities. The Conservative manifesto suggested that councils would be permitted to keep part of the increased council tax and business rate revenues arising from new developments, but a fully fledged and costed government proposal has yet to emerge.

The critical question is whether the incentives to be provided will be sufficient to promote an adequate level of new planning permissions in the face of often vocal local opposition. Proponents can point to the effectiveness of the Swiss planning system; but their devolution of planning is fully matched by devolution of local taxation with the whole of the additional tax revenues from new developments accruing to the local 'canton'. And in Switzerland the canton sets both income and property tax rates, and their local tax rates account for two-thirds of total national taxation. In contrast, in the UK, council tax and business rates comprise just 10% of total national taxation. Compared with the Swiss example the suggested financial incentives for councils to support development in England are very modest.

There are other challenges ahead, as well as concerns about the effectiveness of the new proposed planning regime. The supply of mortgage finance for homeownership has yet to recover, and without a more favourable tax regime it cannot be presumed that investment in the private rented sector will grow. Alongside that there are the public spending constraints that will limit the support for new affordable housing.

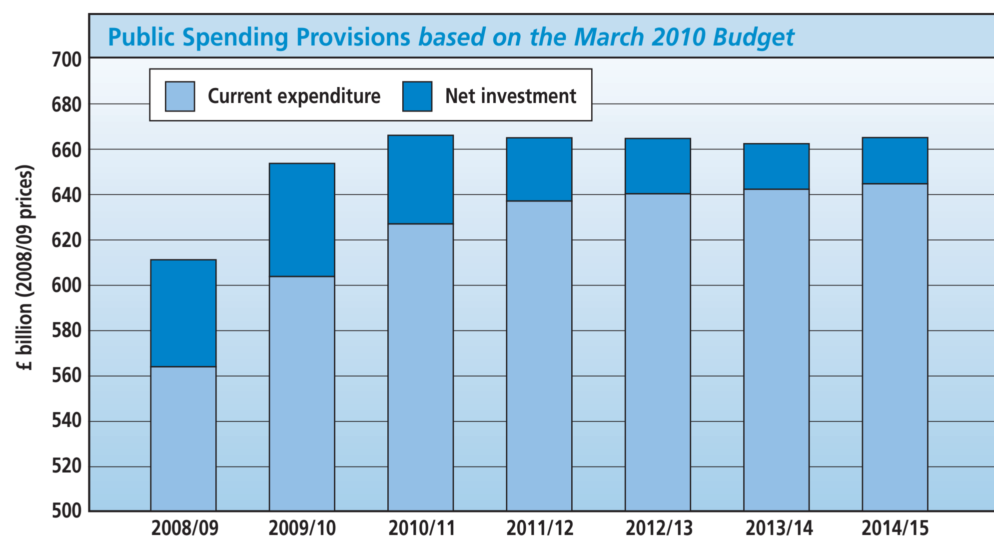
There is also an opportunity to be grasped from the recognition that the most substantial – and predictable – component of growth is of older households. And while owner-occupation levels among younger households have been declining in recent years, the previous decades of growth are still working their way through – and the growth in the numbers of older households will almost entirely comprise homeowners. There remains limited private sector provision for older households, and even less shared ownership for homeowners in lower value dwellings with insufficient equity to move into appropriate private sector housing schemes. A number of innovative schemes have been built in recent years; but they now need the encouragement to enable them to flourish – and to feature far more prominently in local housing plans.

Reference

Evans, A & Hartwich, O (2005) *Bigger Better Faster More*. London: Policy Exchange.

Public expenditure and the prospects for housing

The March 2010 Budget set out broad public spending projections for the years to 2014/15; but these were short on detail ahead of the spending review promised later this year. The subsequent change of government produced an immediate trimming of public spending in 2010/11, and a clear indication that the spending review will be even tighter than suggested by the March Budget. The new government's June Budget should give a clearer indication of just how much more tightening there will be when detailed proposals for departmental budgets emerge from the spending review later in the year.



Overall public spending was already forecast by the March Budget to decline in real terms over the next four years, with a small rise in current expenditure offset by a sharp reduction in net investment. Within that most (if not all) of the rise in current expenditure will be taken up by increased debt interest and social security payments.

The Institute of Fiscal Studies (IFS) estimated that the March budget implied a 6.6% cut in departmental expenditure limits in the two years to 2012/13, and a 11.9% cut in the four years to 2014/15. If the commitment to protect the budgets of some departments was maintained over the full four years this would involve a 25.4% cut for the unprotected departments by 2014/15.

Clearly a sharper reduction in the overall public expenditure provisions will now be expected following the June Budget, although the severity of the reductions could be modified in either direction in response to analyses by the new Office for Budget Responsibility.

The prospects for housing expenditure plans are, however, particularly problematic. Capital investment is a far larger part of public spending on housing than it is of other government budgets, and overall capital investment by the public sector is set to fall by half in real terms by 2014/15.

The housing capital budgets for 2010/11 are in any event in some difficulty. The last government initially responded to the credit crunch by pulling forward funding from 2010/11 into earlier years. Then in June 2009 with its 'Housing Pledge' it sought to provide additional funds to fill the resulting gap created in the 2010/11 housing programme.

The May statement on 2010/11 budget cuts by the new government involved a £230 million reduction in various HCA programmes, although at the same time 'recycling' £170 million of the total £6.2 billion in cuts to fund new social housing.

However the net position for housing investment in 2010/11 will not now be clear until the June Budget, and until then the HCA has put further commitments on expenditure within its programmes on hold.

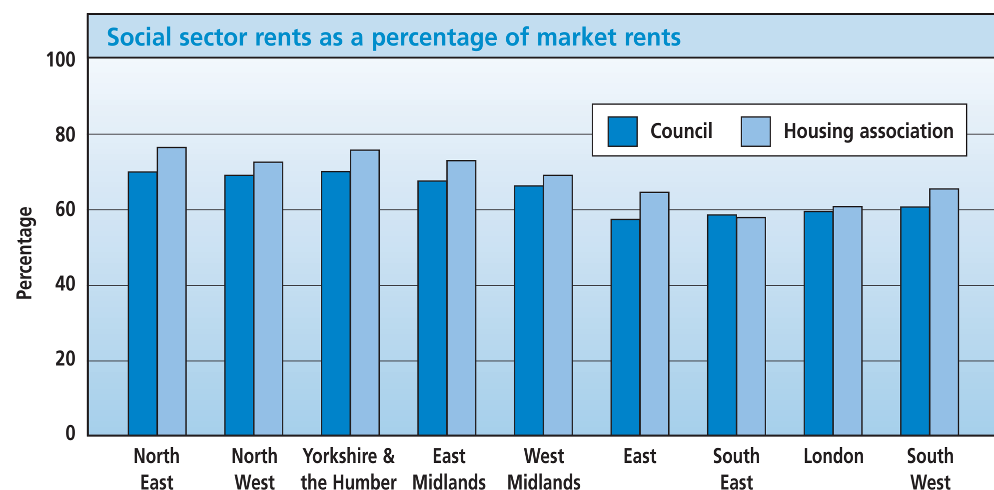
The case for housing investment, not just in social policy terms, but in terms of its potential contribution to economic and housing market recovery, is a strong one – particularly given the continuing dislocation of the mortgage and house building industries. Housing is not, however, a 'protected' service and however worthy the arguments, and however effective the lobbying, the realistic prospects are for quite sharp reductions in funding for housing programmes over the next four years.

This will require a searching re-examination of existing policies, programmes and priorities. It will also accentuate the pressures on existing providers to think creatively about how they can extract the most value from their current assets, and about the service delivery improvements they can make that do not require additional funding.

Rents and investment in social housing

The squeeze on investment resources will inevitably mean a review of current social sector rents policy. Over the last decade rent restructuring has achieved a measure of consistency in social sector rents as between different landlords. In overall terms it has increased rents a little ahead of inflation, and broadly in line with earned incomes, albeit with some variations in the last two years in response to the sharp short-term fluctuations in the retail price index (RPI).

In rents policy the perennial trade off is between affordability on the one hand and the resources available for investment on the other. While council rents are now generating a surplus against their low historic costs, both they and housing association rents remain some considerable way below market rent levels, particularly in London and the south of England.



Source : HRA Review Working Papers, CLG. 2007/08 Rents.

There are, however, marked regional variations reflecting the sharper regional differences in house prices relative to earnings. Rents in London, and the southern regions of England, are much lower relative to market levels, reflecting the heavier weighting given to earnings in the rent restructuring formulae.

The comparisons shown in the figure are derived from work undertaken for the CLG's HRA Review, using estimated market rents based on the valuations of the social sector stock, rather than simply prevailing averages in the private sector.

If social sector rents are some way below market rents, in the northern regions they are not far below the benchmark (80% of market rents) being used to set rent levels for intermediate rent schemes. Indeed in those areas it is difficult to see any obvious rationale for distinguishing between social and intermediate rents.

If increases in rent levels might potentially contribute additional resources for investment, they also give rise to costs, as well as concerns about affordability. Higher rents would result in higher levels of housing benefit dependency, increased concerns about work disincentives, and an impact on inflation levels.

However DWP modelling for the HRA Review suggested that even if rents were increased to market levels this would only increase the proportion of rental income supported by housing benefit from 60% to 64%. The proportion of tenants claiming benefit would be higher, and rise from 67% to 74%, but the increase would be made up entirely of tenants who only receive partial housing benefit.

Net of housing benefit, a 10% rent increase on rents for the existing social sector stock would yield about £500 million in additional revenue to support investment. However the costs to government of higher inflation would also be significant, and if it was not offset by Bank of England changes in interest rates, the costs in terms of state benefits linked to RPI, government pensions and Indexed Gilt Edged securities would substantially reduce any net gain to HM Treasury.

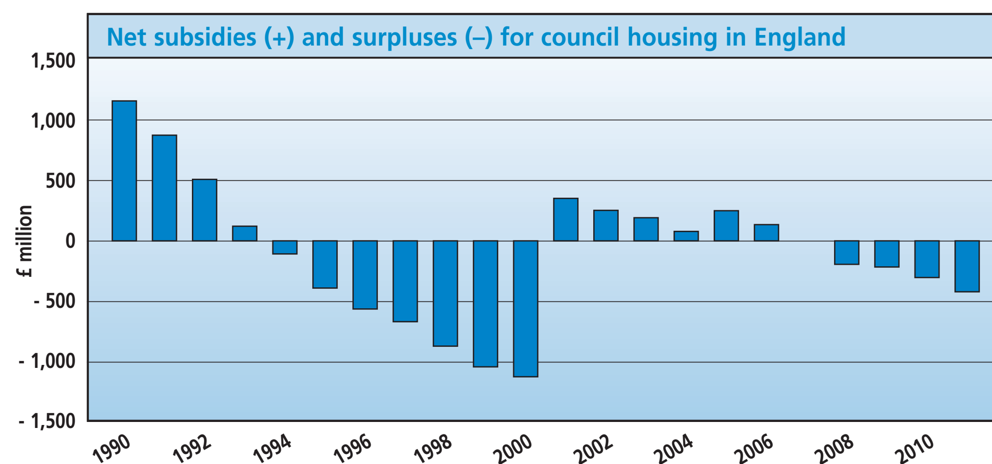
Substantial changes in rent policy are therefore more likely to focus on new developments. Pre-election policy debates suggest that consideration will also be given to higher rents for new tenants moving into the existing social sector stock. In this case, however, HM Treasury will no doubt want to be satisfied that the resulting additional rental income will be effectively 'captured' and directed towards priority investments.

The financial arrangements for new developments are more straightforward, in that the higher rent levels can be immediately captured in the form of lower grant rates. This could significantly boost the output from a limited grants budget, while at the same time the number of lettings involved would mean that there was little or no impact on RPI. Higher rents for new lettings would, however, still raise concerns about work incentives and housing benefit dependency, and the levels at which rents might be set would also need to take account of any changes in the levels at which Local Housing Allowance rates are set for private sector tenancies.

Council housing finance reform in England

The new government will have to decide how to proceed when the consultation on HRA reforms in England, launched by its predecessor, closes in early July. The central reform in the proposed 'prospectus' was the abolition of the current subsidy regime for council housing in England, following a one-off reallocation of debt between councils, but including a handy £3.6bn transfer to HM Treasury. In the Queen's Speech provision has been made for any necessary legislation, but important decisions are still needed on the detailed shape of the reforms in the light both of the consultation and the new government's different perspective.

While many councils will chafe at the additional debt they will be expected to take on, in the short term it will curtail increases in the levels of revenue surplus transfers that would otherwise have continued to grow, and will end the uncertainties arising from the annual subsidy round. This is particularly advantageous for councils that have already met the Decent Homes Standard, and would not be dependent on future government capital funding for stock improvements.



Notes: Councils moved back into net subsidy in 2001/02 following the introduction of major repairs allowances to the subsidy system.

The 'prospectus' also offered an average 28% increase in major repairs allowances, and an average 5.4% rise in management and maintenance allowances. The allocation of debt for individual councils was also proposed to be based on a 7.0% 'discount rate', compared to the 6.5% factor typically applied in recent English stock transfers.

Without the more favourable discount rate the total debt that councils would have to take on would be some £1.2bn higher. The higher rate is intended to give English councils the capacity to increase their investment in the provision of new council housing; but it also improves the margins available to councils to accommodate the risks they are taking on in leaving the subsidy system.

The debt restructuring does not offer all that councils would ideally have wished; but the price for exiting the annual subsidy regime is clearly stated, and has been generally viewed favourably, not least in the context of the overall pressures on public sector finances.

There are, however, three key limitations to the proposals. The first is that some councils will remain dependent on future allocations of capital grant from CLG in order to deal with the backlog of disrepair and to meet the Decent Homes Standard. While CLG recognises the existence of a £3.2bn backlog this does not take account of requirements for improvements beyond the (limited) current standard, and in any event future budget provisions will depend on the outcome of the forthcoming government spending review.

The second limitation is that councils will not be able to increase their future level of debt. In effect they will be denied the opportunity to translate revenue efficiency savings into investment based on prudential borrowing. A third limitation is that HM Treasury has reserved the right to revisit the debt redistribution in the future.

The limitation on future prudential borrowing is particularly disappointing, and would leave English councils at a disadvantage compared to their Scottish counterparts, all of whose council house borrowing is deemed prudential, and is unconstrained by the Scottish Government – not least because it is Annually Managed Expenditure that does not count against the primary Scottish Government budget (which is treated like Departmental Expenditure Limits in England).

Nonetheless, whether in England, Scotland or Wales, and whether AME or DEL, council house borrowing all counts as public sector borrowing. The broader case for reforming the arcane UK public spending rules is made on page 14. One prize for government is that the £3.6bn transfer from the English HRA reforms would then show as a reduction in general government debt. The prize for councils is that it would remove any need for HM Treasury to cap future levels of councils' prudential borrowing.

References

Communities and Local Government (2010) *Council housing: a real future.*

CIH (2010) *HRA Reform: Council housing: a real future* www.cih.org/policy/HRA-briefing-April10.pdf

New borrowing rules?

While the 2010 Budget recognised that the government's prudential rules had been breached it did not bring forward any fundamental reforms. Rather it simply set the rules to one side for the immediate future, and decided to treat the costs of government interventions in the banking sector as a 'special case'.

The new government has the opportunity to recast these broken – and fudged – spending rules. One of its key objectives is to convince the international finance markets that it has the UK government debt under control. For those markets the principal yardstick is the international measure of the level of general government debt – not the arcane UK measure of public sector debt (excluding financial interventions). Adopting fiscal rules in line with international conventions would provide greater transparency as well as removing barriers to public sector enterprise.

The key difference between the general government based fiscal measures, used by the OECD, EU and other international bodies, and the UK public sector measures lies in the way they treat publicly owned trading bodies. In the UK we include their borrowing in the central public sector based fiscal measures. Under international measures that borrowing is *excluded* – only government grants or subsidies to the (public or private) corporate sector are included.

National Accounts Sectors

The structure of the UK fiscal rules				
PUBLIC SECTOR			PRIVATE SECTOR	
Central government	Local government	Public corporations	Private not-for-profit corporations	Private for-profit corporations
GENERAL GOVERNMENT		CORPORATE (TRADING) SECTOR		
The structure of international fiscal rules				

The newly acquired government banks are part of the public corporate sector, as is council housing – as a local authority owned trading activity. The difference in the structure of the fiscal rules is why a number of the public utilities the UK sold off over the last thirty years are now owned by other countries' public corporations.

Adopting a new set of fiscal rules in line with international conventions would thus not only provide transparency – and familiarity – for financial markets, but greater freedoms for a range of public enterprises that could contribute to the post-crunch economic recovery without adding to general government debt. This would include, for example, greater financial freedoms for the local enterprises the new government is now seeking to promote.

When the government comes to sell the banking assets it currently holds this will substantially reduce the level of general government debt, and potentially bring that debt back down below average EU levels.

But if the reasons for the government to consider a move towards the internationally recognised structure of fiscal rules are far more wide-ranging, they are also of particular importance for the housing sector.

The draft proposals for HRA reform in England would potentially raise some £3.5bn for the Treasury. While helpful for the Treasury in cash terms that would be neutral in terms of public sector debt, as the net payments to the Treasury would be matched by an increase in council HRA borrowing. But under international fiscal rules that transaction would lead to a £3.5bn reduction in general government debt, as councils' HRA borrowing would fall in the public corporate sector.

Not only would that be a useful contribution towards reducing government debt, it would remove any need for the Treasury to set a cap on future council HRA borrowing. Removing that restriction would in turn make the debt redistribution exercise far more attractive to councils. The government would simply need to retain the prudential borrowing rules to ensure that councils do not borrow more than their businesses can soundly support.

A change in rules would also have advantages for housing associations. First of all it would remove the 'spectre' that they could be reclassified as public sector bodies for national accounts purposes, as they are under EU competition rules. With general government based fiscal rules such a reclassification would have little consequence. More positively it would open the door to different approaches for housing associations to raise finance, and potential savings in their borrowing costs.

There are no doubt difficult times ahead; but more could be achieved without UK fiscal rules that artificially restrict the potential of public enterprises, and leave the UK at a competitive disadvantage with the rest of the world.

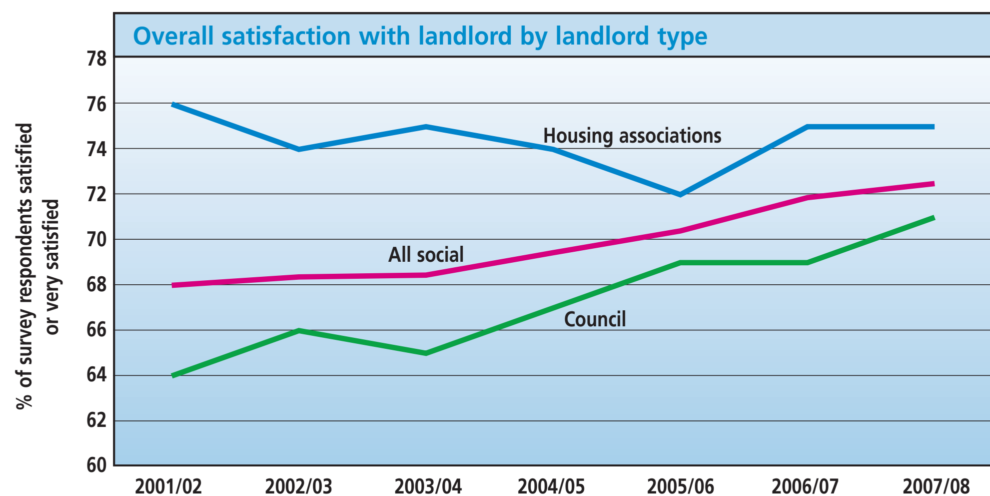
Reference

CIH (2010) *Briefing paper on borrowing rules and council housing* www.cih.org/policy/BorrowingRulesandCouncilHousing-Apr10.pdf

Improving the quality of social housing management

Social landlords are subject to numerous measures of performance. In the council sector, a longstanding series of housing management performance indicators (PIs) has demonstrated solid and consistent gains across a range of landlord activities in recent times. For example, in the five years to 2008/09 remaining local authority landlords in England reduced uncollected rent by a third, cut the time taken to let empty properties by almost a quarter, halved the proportion of urgent repairs failing to be completed on time and speeded up the completion of non-urgent repairs by more than a quarter.[1] Similarly, in Scotland the same period saw councils reducing rent arrears by a fifth, and the average time taken to relet empty homes by one third.[2]

Nevertheless, PIs of these kinds focus primarily on management processes rather than service outcomes. It is therefore encouraging that survey data (see graphic) show a steady and ongoing improvement in overall tenant satisfaction across 'all social' housing in England over the past few years. The most marked change here relates to council housing, with an improvement of seven percentage points during the period. However, some of this change probably reflects the impact of stock transfers in moving problematic portfolios into housing association ownership. In turn, this will have impacted negatively on the housing association trend. For this reason, the 'all social' trend should be seen as the main story here.



Source: Survey of English Housing.

In this era of rising consumer expectations, achieving rising rates of satisfaction for any public service must be counted as a considerable achievement. In social housing, of course, part of the credit must be attributed to the increased investment in existing stock under the decent homes programme. As recently reported by the National Audit Office, by 2009 over a million social sector tenants had seen their homes upgraded to the Decent Homes Standard since 2001.

However, while the graphic shows the 'all social' *satisfaction with landlord* rating rising by 4% in the six years to 2007/08, the comparable trend for *satisfaction with accommodation* rose by only 2% over the period (from 80% to 82%). This appears to confirm that tenants are happier with *landlord services*, not just *physical conditions*. Importantly, alongside decent homes investment, service standards have undoubtedly been bumped up by the intensive style of regulation and inspection seen over the past few years. Particularly significant here has been the 'service excellence' threshold imposed for local authorities seeking to access arms length management organisation (ALMO) funding. This was not just about validating extra resources for councils traditionally among the better performers. It also incentivised radically improved service delivery on the part of some authorities historically seen as among the sector's weakest providers.

If those improvements are welcome, there is no room for complacency. Councils still have overall lower satisfaction ratings than private landlords; albeit not for households with the lowest incomes. While satisfaction with landlord services tends to increase with income levels for households in the private rented sector, it tends to decrease with income levels among households in the social rented sector.

With the new Westminster government committed to a slimmed-down form of regulation it remains to be seen whether the improving dynamic of landlord services can be sustained into the future. What does, however, appear certain is that the expected demise of a large-scale inspection programme should spell an enhanced role for tenant satisfaction measurement in monitoring service quality.

Footnotes

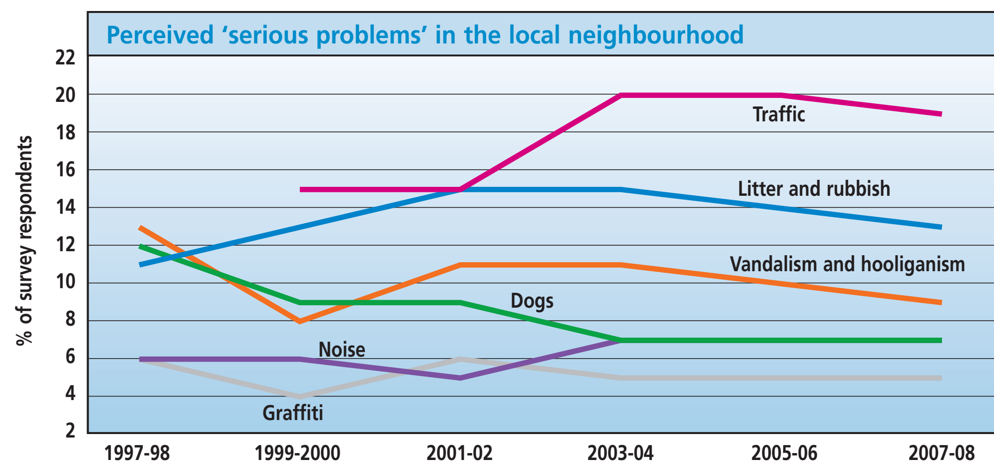
1 Pawson, H (2010) *Analysis of English local authority housing management performance 2008/09*. Housing Quality Network briefing.

2 Pawson, H (2010) *Analysis of 2008/09 Scottish local authority housing management performance*. Scottish Housing Best Value Network briefing.

Places where people want to live

Under John Prescott's 2005 Sustainable Communities Plan, government committed itself to creating '...communities that will stand the test of time; and places where people want to live'. However, survey data shows that 8% of people in England remain dissatisfied or very dissatisfied with their local area – a figure which has remained little changed over the past decade. Moreover, while expectations are likely to be lower in poor localities, the comparable dissatisfaction rate for England's most deprived areas is 17% – more than double the national rate. Similarly, the proportion of all social renters unhappy about the state of their neighbourhood runs at 14%.

Crime and anti-social behaviour are frequently cited as important factors motivating dissatisfaction with the neighbourhood. However, as shown in the graphic, recent years have seen modest improvement on a number of the most commonly mentioned complaints. Since many of these problems tend to have a disproportionate impact on poorer communities where many live in social housing, these trends should be seen as encouraging for social landlords. In particular, they seem to indicate a degree of success in neighbourhood management strategies as deployed by both local authorities and housing associations.



Source: Survey of English Housing.

More broadly, as emphasised by John Hills and others, facilitating mixed-income communities remains an important policy aspiration closely related to creating 'places where people want to live'. Hills notably emphasised the importance of these issues not just in terms of new mixed-tenure housing development, but also in terms of diversification of existing social housing estates, and requiring social landlords to play an active part in addressing worklessness.

Partly in recognition of this latter objective, housing associations have been playing a growing role in fostering social and community projects. For example, according to the National Housing Federation's Neighbourhood Audit, associations were running over 500 employment schemes across England in 2006/07, costing them some £45m.

To date, however, there has been relatively little response to the arguments for social sector landlords to diversify their existing stock holdings. Financial pressures have led more social landlords to review their asset holdings, but this has been approached principally in terms of housing management and investment objectives, rather than in terms of social diversity.

At the same time the greater fluidity in the private sector, with dwellings switching between owner-occupation and private renting, means that tenure alone cannot be used as a proxy device to create mixed communities within new developments. Private sector housing may be occupied by low income households supported by housing benefit; and cannot be presumed to be occupied by households who can afford the full market price or rent unassisted.

From a government perspective, the 'joined up working' ethic of neighbourhood management has now morphed into the far more ambitious Total Place concept which aims to identify and prevent local duplication of provision across all public services. With 13 pilot schemes in place across England, former Secretary of State John Denham claimed that Total Place could save 'up to £20billion' in the next decade. As argued by the Treasury, however, the more integrated approach to service delivery inherent in Total Place is justified as much by the resulting reduction in the fragmentation and complexity of provision, to the benefit of service users.

In opposition, the Conservative Party backed the Total Place model as consistent with the claim that substantial reductions in public spending could be achieved solely by 'cutting waste'. With the imperative of re-balancing the public finances redoubled since the general election, expectations that Total Place savings could be a significant contributor to this end will have risen still higher. Delivering such economies in tandem with stable or improved resident perceptions of neighbourhood quality presents a massive challenge for all concerned.

Reference

Hills, J (2007) *End and Means: The future roles of social housing in England*. London: Centre for Analysis of Social Exclusion.

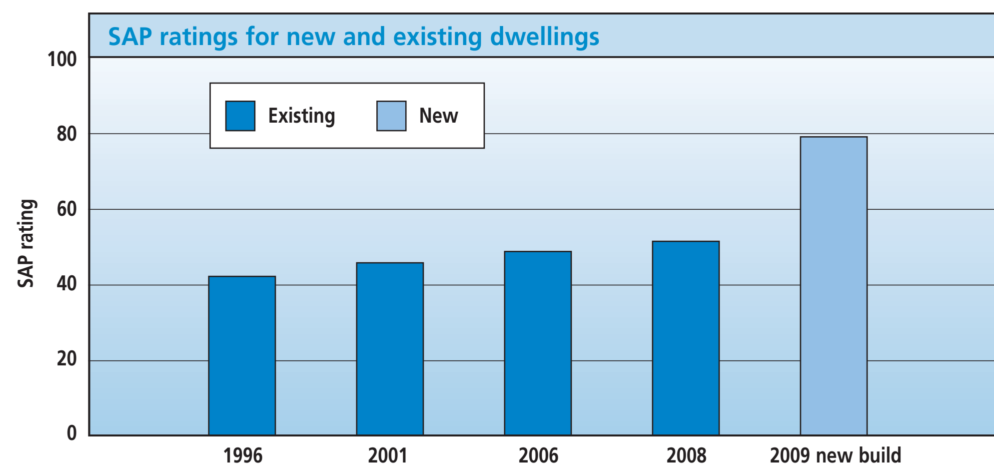
Housing and environmental efficiency

The need for housing policy to respond to the environmental challenge is now well established, with a range of initiatives both for new building and for improving the existing housing stock. Those policies do not, however, add up to a comprehensive strategy, and there are some specific weaknesses in the current approach.

To date the greater emphasis has been on raising the energy efficiency of new build housing, with a phased approach to raising the bar for new construction. Currently new private housing has to be built to 'Code Level 3' standards, and as a consequence the average energy efficiency 'SAP' rating for new dwellings completed in 2009 was 79 (out of 100). From 2013 the planned minimum requirement will be Code Level 4, and from 2016 the requirement will be for Code Level 6 – the zero carbon standard.

There have also been improvements in the energy efficiency of existing dwellings in all tenures, both as a result of government programmes and through households' own investment. So far they have been largely focused on insulation measures and boiler upgrades that give a quick payback through lower energy bills. Even so by 2008 the average SAP rating for existing dwellings had only risen to 51, and so there is now a yawning gap between the SAP ratings of new and existing dwellings.

While the higher standards for new build dwellings look to the future, it is improvements to the existing stock that provide the greatest opportunity to reduce housing's overall environmental impact. This is partly because annual new build comprises less than 1% of the total stock (even in a good year), and partly because the lower standards in the existing stock offer greater opportunities for improvements using established, cost-effective measures.



Source: EHS Headline Report and Housing Statistics, CLG.

Almost one in five dwellings have SAP ratings below 38 (Bands F & G), and well over 95% of those dwellings are private sector. While the materials and house types of some older dwellings are particularly challenging, there are also opportunities for cost-effective gains using established and proven technologies.

The critical policy weakness is the lack of a comprehensive and co-ordinated strategy for delivering improvements to the existing private sector stock. Programmes are split between government departments and agencies, with no overarching targets or responsibilities.

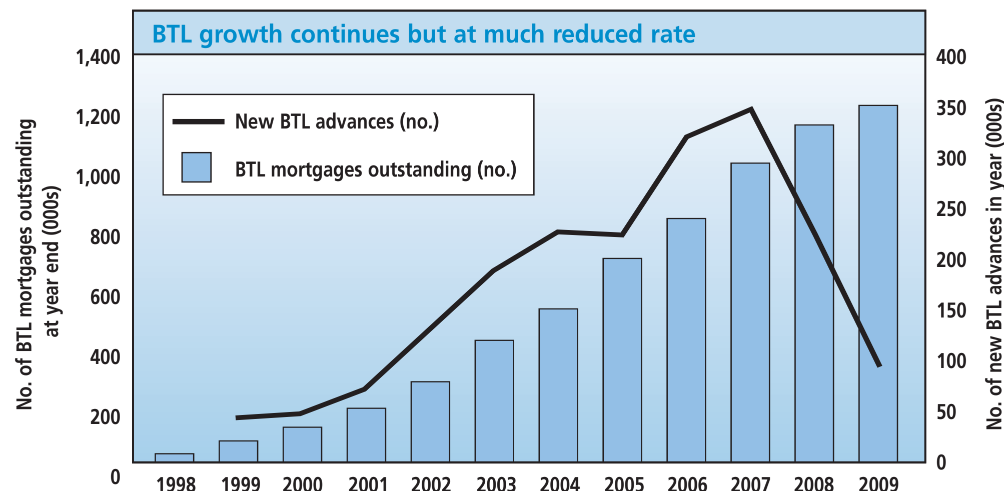
CLG has only weak targets to reduce the proportions of vulnerable households living in 'non-decent' homes, and the Decent Homes Standard in any event only embodies a relatively modest energy efficiency requirement. Policies on improvement grants and loans for private sector housing are also devolved to individual councils, and the budget for those measures has continued to fall.

Energy efficiency grants are available, but their delivery is hampered by the linking of their availability to households in receipt of means-tested benefits such as pension credit and council tax benefit, both of which have very low take-up rates. Regulatory powers have also been used to require energy companies to offer some limited energy efficiency improvements to their older customers, as well as to provide incentives for private households to invest in micro energy-generation measures such as solar panels. Energy efficiency certificates provided whenever properties are sold or let have survived the cull on Home Information Packs, and 'smart meters' are to be rolled out to increase households' awareness of their energy consumption levels.

But all these fragmented policies do not add up to a comprehensive strategy to realise the potential for cost-effective improvements to the existing stock. Action on this front could make a far more substantial and resource efficient contribution to meeting environmental standards than the planned rush to a compulsory, high-cost zero carbon standard for all new homes. A pause (at the mandatory Code Level 4) would still see a further improvement in the energy efficiency of new homes, while also providing breathing space to test the durability and maintenance costs of the new building designs and technologies, and how household life choices impact on their theoretical higher efficiency. More innovation and experiment with zero carbon schemes must continue – but we should also heed the lessons of the past about the costs of rectifying non-conventional construction methods that have not stood the test of time.

Prospects for private renting

While the depressed post-2007 housing market has seen a sharp reduction in the flow of new buy-to-let (BTL) investment, this part of the private rented sector continues to expand, albeit slowly (see graphic). Even by 2007, the number of outstanding BTL mortgages was equivalent to 31% of the UK's entire stock of private rented dwellings.



Source : CML.

In financing the purchase of newly built properties and previously owner-occupied homes, BTL mortgages have contributed to the improving quality of the PRS sector. According to the English Housing Survey, the proportion of privately rented homes meeting the Decent Homes Standard increased from 49% to 60% in the period 2001-2006. Nevertheless, over 40% of recent BTL investment has re-financed traditional PRS stock rather than funding the purchase of brand new or previously owner-occupied property.

The viability of ongoing BTL investment relies on capital growth as well as rental returns. IPD residential investment index figures show gross rental yields slipped further in 2009 to only 2.7% of capital values. This extends a longer-term trend resulting from rents rising closely in line with earnings, whereas (until recently) house prices have grown at much faster rates. Consequently, gross rental yields have halved since 2001 when the IPD figure stood at 5.7%. While capital growth was negative in 2008, overall it averaged 6.3% between 2001 and 2009, compared to 3.9% for the rental yield.

The boom in BTL investment has also compounded the traditional ownership structure of the sector, further reinforcing the dominance of small-scale landlords. Almost three-quarters of privately rented homes in England (74%) are owned by individuals or couples, with over two-thirds of those owning five or fewer properties.

Despite the under-supply of new housing the expectations for the next few years are for relatively modest levels of house price growth, that are unlikely to match the rise in the pre credit crunch decade. This will enhance the importance of rental returns – both for potential buy-to-let and institutional investors. While moderating house price rises and market pressures might be expected to increase potential rental yields they are currently a long way short of the 6-7% estimated by the Treasury as required to draw large-scale institutional investment into residential property.

Outside periods of exceptional capital growth, the viability of PRS investment is also constrained by the underlying fiscal bias in favour of owner-occupation, both in terms of capital gains tax (CGT) relief, and the absence of any tax on the rental value of owners' homes – that they consume in kind, rather than receive in cash. The abolition of homeowners' mortgage tax relief reduced, but did not eliminate, that bias (see page 9).

Notwithstanding the substantial increase in rental returns ideally required, attracting institutional funding remains a 'holy grail' housing policy objective. The 2007 launch of residential Real Estate Investment Trusts aimed to incentivise such activity by removing a distortion in tax treatment of property company residential investment. As yet, however, these have had little impact.

In 2009 the Homes and Communities Agency launched its Private Rented Sector Initiative (PRSI), another attempt at creating a vehicle for institutional investment in the sector (this possibly involving contribution of HCA-owned land as an 'equity investment'. And earlier this year HM Treasury launched a further review of the taxation arrangements for private landlords. Against that, since the election it has been suggested that the CGT rate applied to private landlords' investments (currently 18%) might be significantly increased in the June Budget. This has triggered fears – perhaps exaggerated – of some landlords seeking to sell ahead of the Budget.

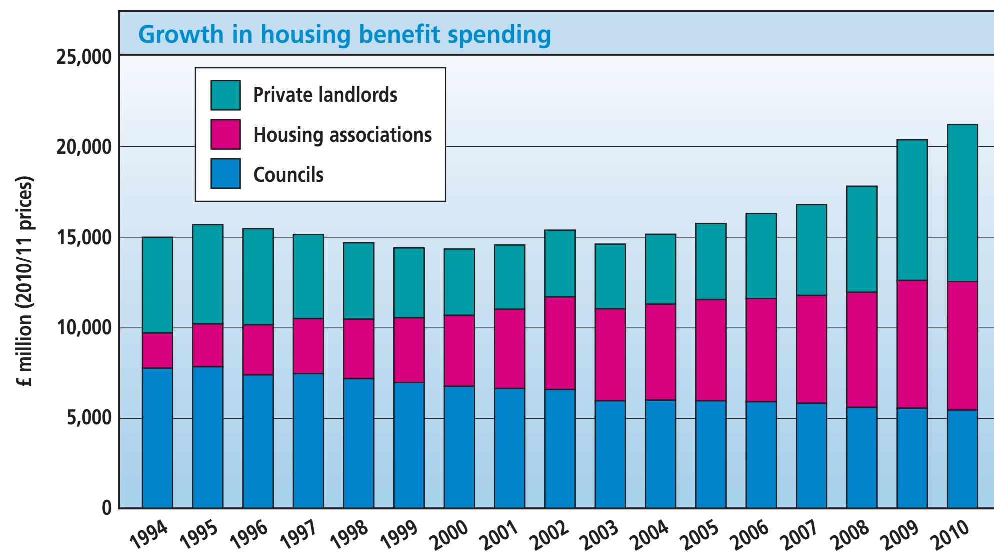
The prospects for PRS growth are thus uncertain, and will become more so if the tax position becomes less rather than more favourable. At the lower end of the market the sector will also be impacted by the potential changes to LHA rates for claimants. Government aspirations for a larger PRS role in the housing market will call for these tax issues to be addressed, as well as for the HCA to have sufficient resources and latitude to incentivise a programme of PRSI investment. Those incentives may also need to be greater than under the current PRSI offer.

Housing benefit reforms

The new Secretary of State arrived at the Department for Work and Pensions with a new prospectus for the reform of welfare benefits – based on the report *Dynamic Benefits: Towards welfare that works*, published by the Centre for Social Justice in 2009.

This proposed a radical structural and administrative simplification of the whole welfare benefit system. Housing benefit would become part of a universal credit scheme for low income households in and out of work. Full universal credits would be paid direct to claimants, while for working claimants deductions from the maximum entitlements would be reclaimed through the income tax PAYE system. The eligible amounts for housing benefit would be based on Local Housing Allowance (LHA) scale rates, with separate scale rates for social sector tenants. As with current private sector LHA arrangements, there would only in exceptional circumstances be arrangements for payments to be made direct to landlords.

This is a very radical proposal; but in consequence it is necessarily a very long-term proposal that will require detailed evaluation and debate both around the overall design and a myriad of detailed features. Potential full implementation would clearly be several years ahead; but the proposals also envisage a series of phased changes en route. More immediately, the *Dynamic Benefits* proposals give a clear indication of the new government's thinking, which will inform other decisions about benefit reforms in the near future.



While the new Secretary of State is confident that he has support for the short-term costs of proposed improvements in work incentives, against the modelled savings resulting from reduced unemployment, such changes will not remove the pressures on DWP (along with other departments) to achieve budget savings in the coming years.

Housing benefit costs have been rising in real terms. The rising costs in the overall social sector primarily reflect government policies to increase rents a little ahead of inflation (and broadly in line with earnings). Post 1996 the costs for housing benefit for private tenants fell – both as claimant numbers fell and as local reference rents limited eligible rents. But since then numbers have risen with the overall growth of the private rented sector. The roll out of the flat-rate LHA has also added to costs. Demand for private lettings from low income households is also sustained by the limited supply of social housing.

In that context the more immediate concerns for the government will be about containing costs, and if and how to take forward the proposals in the consultation paper issued by the outgoing government late last year.

Almost certainly the government will look to reduce or cap LHA levels in the private sector, and thus rule out claimants moving into some higher value areas.

This will increase pressures on social housing; and at the same time it is also likely to impinge on the rent levels that housing associations can set for intermediate rent schemes. The government is also likely to consider tighter benefit limits on under-occupation in the social rented sector.

The key pro-work incentive measures in the consultation paper were to increase the benefit 'run on' for claimants moving into work, and to introduce fixed-period awards for working claimants (similar to the arrangements under the old family credit scheme). But neither of these arrangements featured in *Dynamic Benefits*, which instead favoured early increases in earnings disregards for families with children and reducing the 'taper rate' from 65% to 55%.

Here is not the place for a debate on the relative merits of this approach; but all these issues will clearly need to be considered afresh, while we also look to see how far the principles and proposals of *Dynamic Benefits* are supported across the coalition government.

Reference

Centre for Social Justice (2009) *Dynamic Benefits: Towards welfare that works.*

Schedule of updated tables

Compendium Update

Each year there is mid-year update of some of the 122 tables that comprise the main compendium in the *UK Housing Review*. The tables being updated this year, to coincide with the publication of this *Briefing Paper*, are shown opposite. They can be accessed at **www.ukhousingreview.org.uk**

In the space available here attention is drawn to just a few points about the tables, and what they tell us about the rapid changes in housing markets and housing policy:

- Table 11 is from the 14th June forecast by the new Office for Budget Responsibility, that will underpin the first coalition Budget. Table 12 is planned to be based on the June 2010 Budget being published at the same time as this *Briefing Paper*; and they will therefore appear on the *Review* website later in June.
- Table 42 shows how the market for owner-occupied housing developed in 2009. While house prices and mortgage advances for house purchase remained fairly steady, the sharp reduction in interest rates by the end of 2009 (to an average 4.2%) substantially improved affordability. However the average first-time buyer deposit rose to over £40,000 – which is 25% of the average purchase price.
- Table 90 shows updated 2009 figures for homeless acceptances for England (the Scottish and Welsh figures are not yet available). Despite the difficulties in the housing market, these show a further substantial decline in the numbers of homeless acceptances by English local authorities. This highlights the importance of the role of local authority homelessness prevention policies and actions.

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Table 97	Lettings by local authorities to new tenants and homeless households
Table 103	Scottish local authority lettings

The ***UK Housing Review*** provides the key information for busy managers and policy-makers. The 18th edition brings together the most up-to-date housing statistics available for England (and its regions), Wales, Scotland and Northern Ireland.

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In addition to commentary on current trends, Steve Wilcox and other commentators focus on the UK's devolved governments and recent housing policy developments:

- *Devolution and housing* Steve Wilcox
- *Two decades of council stock transfers* Hal Pawson
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The ***UK Housing Review*** continues to be the key resource for anyone interested in housing policy and finance, in both the public and private sectors.

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Financial support for the *Review* is received from Communities and Local Government, the Welsh Assembly Government, the Scottish Government and the Northern Ireland Housing Executive. The University of York covered the costs of the Contemporary Issues section of the *Review* and host the *UK Housing Review* website, while Savills and the Building Societies Association supported the production costs of the 2009/2010 edition.

The full *UK Housing Review 2009/2010* is still available for £45.00 plus £5.00 p&p in the UK (with discounts for CIH members). See **www.cih.org/publications**

Published by
the Chartered Institute of Housing

The Chartered Institute of Housing is very grateful to SitexOrbis group for sponsoring the production costs of this Briefing Paper.