

2023 UK HOUSING REVIEW

Autumn Briefing Paper

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and guest contributors



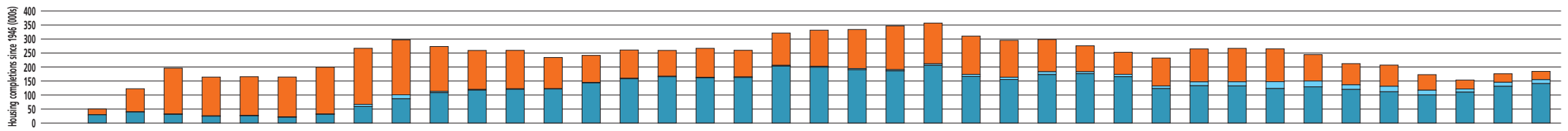
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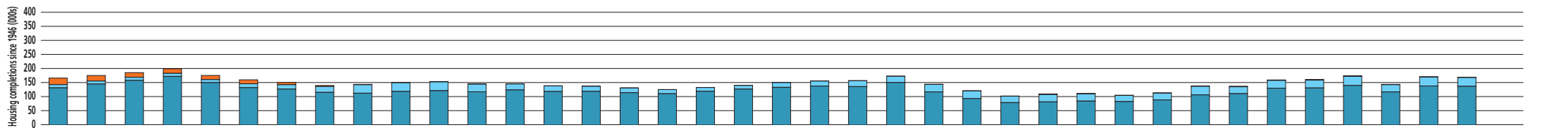


Roll-call of post-war English housing ministers



1949 – Bevan visits new homes	1953 – Peak council house building	1957 – Private rents decontrolled	1963 – Home property taxes end	1968 – 350,000 homes built	1973 – Private tenants get HB	1976 – IMF austerity measures	1980 - Right to buy starts
1945	1950	1955	1960	1965	1970	1975	1980

Aneurin Bevan *Harold Macmillan* *Duncan Sandys* *Henry Brooke* *Charles Hill* *Keith Joseph* *Richard Crossman* *Anthony Greenwood* *Robert Mellish* *Peter Walker* *Julian Amery* *Paul Channon* *Reginald Freeson* *John Stanley* *Ian Gow*



1989 – New HA finance regime	1991 – 75,000 repossessions	1995 – Buy to Let starts	2003 – Lowest social housing built	2008 – 2.5m right to buy sales	Modest recovery in housebuilding	2017 – Grenfell Tower fire	Covid strikes
1985	1990	1995	2000	2005	2010	2015	2020

John Patten *William Waldegrave* *Earl of Caithness* *Michael Howard* *Michael Spicer* *George Young* *Viscount Ullswater* *David Curry* *Hilary Armstrong* *Nick Raynsford* *Lord Falconer* *Lord Rooker* *Keith Hill* *Yvette Cooper* *Caroline Flint* *Margaret Beckett* *John Healey* *Grant Shapps* *Mark Prisk* *Kris Hopkins** *Brandon Lewis* *Gavin Barwell* *Alok Sharma* *Dominic Raab* *Kit Malthouse* *Esther McVey* 24.07.19 – 13.02.20 *Christopher Pincher* 13.02.20 – 8.02.22 *Stuart Andrew* 8.02.22 – 6.7.22 *Marcus Jones* 8.7.22 – 7.9.22 *Lee Rowley* 7.9.22 – 26.10.22 *Lucy Frazer* 26.10.22 – 7.2.23 *Rachel Maclean* 8.2.23 –

KEY: Names in light blue/light red were not members of the cabinet (*not a Minister of State) GRAPH KEY: Local authorities (orange) Housing associations (light blue) Private sector (dark blue)

Source: Authors' investigations with assistance from the two parliamentary libraries.

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The Chartered Institute of Housing

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Front cover: Crescent of houses II (Island town), Egon Schiele, Leopold Museum, Vienna /

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Introduction

The *UK Housing Review* is published annually each Spring. For 14 years it has been complemented by an Autumn Briefing Paper, which provides short articles on current topics, based in part on an updated set of statistics in the *Review's* online Compendium of Tables. This edition comes at a time of tight national budgets, hiatus in housing policy and uncertainty about how much change will occur after the coming general election at Westminster. The fact that the *Review's* chart showing ministerial responsibility for housing in England has already had two further names added since last year's Briefing Paper, perhaps reflects the hiatus.

Several articles underline the continuing importance of the cost-of-living crisis. Mark Stephens' regular piece on economic issues shows how the way we measure inflation inadequately reflects housing costs, meaning that the affordability crisis for mortgage payers and renters is not fully recognised in monetary policy. Short-term cuts and policy row-backs by the government in the transition to a net zero economy will also slow progress towards much lower fuel use in our homes.

This year's Briefing Paper focuses on such topical developments and covers a range of other pressing issues, addressing some of the main areas of change and policy development since the full *UK Housing Review 2023* was published in March. Drawing on the latest statistics, the Briefing Paper assesses the implications of new policy and market developments in thirteen different topic areas, several of which are UK-wide. Three dedicated pages cover specific policy developments in Scotland, Wales and Northern Ireland.

Our final page provides a list of updated tables now available on the *Review's* website (www.ukhousingreview.org.uk).

Housing as a political issue

Three of the *Review's* editors have collaborated for the main article, which looks at the rise and fall of housing as a political issue, and which recently appears to have recovered some of its salience. It then looks at the sometimes slim differences between the two main parties' housing policies heading towards the UK general election.

Perhaps nothing is more political in housing than the way it affects the distribution of wealth. Susan J. Smith, a life fellow at Girton College, Cambridge, considers how unambitious the UK tax system is in tackling the enormous concentration of wealth, including housing wealth, in a small proportion of households.

The housing market remains in flux

Peter Williams' article on the state of the housing market focuses on affordability and availability. Renters face rising rents and a falling supply of lettings, while would-be homeowners face a double handicap: high rents prevent them from saving for a deposit while mortgage costs have increased, with limited help from falling house prices. Price falls will continue, the article concludes, as will falls in transactions.

Three key issues relating to tenure and the housing market are considered. Peter Williams looks at the growing importance of shared ownership, John Perry considers the problems faced by leaseholders and John Boyle, director of research and strategy at Rettie & Co., examines the growth of short-term lets and government responses in places where such lets take up a large share of the market.

Gillian Young draws evidence from the 2021 Census about the slowing shift in tenure across England and Wales, with more young people having to remain in the parental home.

Key issues in the management of the social housing stock

This year's Briefing Paper has two articles on the existing social housing stock. CIH policy officer Matthew Scott looks at the steps being taken to tackle damp, disrepair and safety issues in England's social housing and considers the very slow progress being made to decarbonise the stock (with the government taking several recent steps backwards).

Providing supported housing and accommodating refugees

Sarah Rowe from Crisis discusses legislation aimed at breaking the business model of so-called 'exempt accommodation' by creating a licensing regime for supported housing. John Perry examines the intense pressure on accommodation for refugees and asylum seekers, partly due to the backlog in dealing with asylum claims, and points to the successful housing of Ukrainians as a lesson which could be applied to other refugee groups.

Scotland, Wales and Northern Ireland

Mark Stephens and Gillian Young look at housing issues in Scotland, focusing on the politics around private sector rents; Matthew Dicks, director of CIH Cymru, considers priorities for the social housing sector in Wales, and Joe Frey, knowledge exchange broker for the UK Collaborative Centre for Housing Evidence (CaCHE), describes the continuing hiatus in policy development in Northern Ireland. All three articles look at the consequences for affordable housing output of the cuts in block grant from Westminster made in the March Budget.

In April next year the *UK Housing Review 2024* will aim to provide a considered appraisal of the Westminster government's latest housing and welfare policy changes, and will also, of course, assess policy developments in Scotland, Wales and Northern Ireland.

This Autumn Briefing Paper has a range of writers alongside the *Review's* normal team of authors. We thank them for their excellent contributions. As ever, we are also indebted to the *Review's* generous sponsors, named on the back cover.

John Perry, Mark Stephens, Peter Williams and Gillian Young

October 2023

The UK economy continues to struggle. The US economy was more than six per cent larger in the second quarter of 2023 than on the eve of the pandemic. On the same metric, the Eurozone was 2.7 per cent larger. Meanwhile the UK economy had yet to return to its pre-pandemic size. Nonetheless, the economic outlook has been dominated by the persistence of inflation and the Bank of England's efforts to bring it back to the two per cent target.

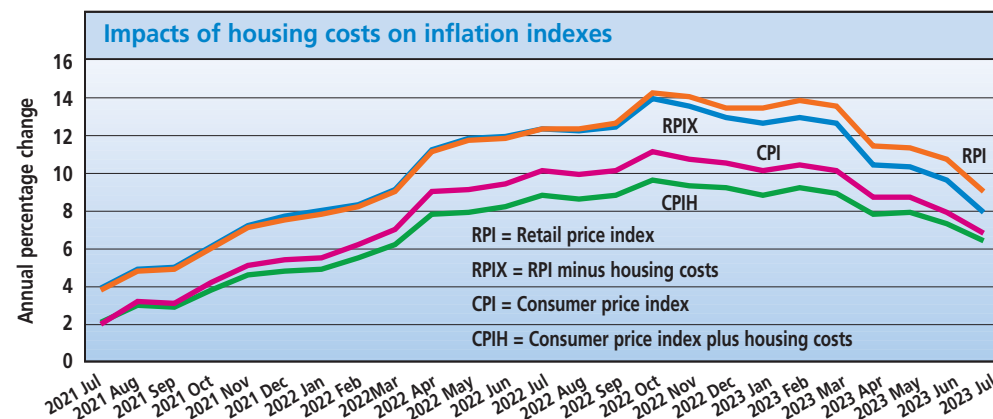
By August, the Bank's Monetary Policy Committee (MPC) had raised base rates from 0.1 per cent in 2021 to 5.25 per cent, their highest for 15 years. Yet CPI inflation remained stubbornly high at 7.9 per cent in June. The fall to 6.7 per cent in August was greater than expected, with core inflation (which excludes energy and food due to their volatility) falling to 6.2 per cent (in September CPI and core inflation stayed at almost the same levels).

Due to the reliance on monetary policy to contain inflation, households with mortgages have borne a disproportionate amount of pain. Renters, too, have seen the ONS rent index rise by more than five per cent in the year to July 2023, the biggest increase since 2006.

Yet the cost of housing is deliberately excluded from the inflation index used for targeting. Housing costs – including owner-occupiers' mortgage interest – are included in the Retail Price Index, which was the UK's official measure of inflation for half a century. It was only when inflation targeting by the Bank of England was adopted by Gordon Brown in 1998, that they were stripped out of the index, so as to prevent interest rate hikes affecting the inflation measure (now RPIX).

Since 2003 the Bank has targeted a different index, the consumer price index (CPI). However, this, too, excludes housing costs. The government has indicated that, in future, it favours adopting the CPIH, which is the same as the CPI only with housing costs. CPIH measures housing costs partly through rents but relies on hypothetical rental values to estimate owners' costs. The so-called 'rental equivalence' approach for measuring owner-occupiers' housing costs is advocated by many economists but is removed from households' real-life experiences. The effect of housing costs within this index has been to lower the overall rate of inflation, something that statisticians and economists might find hard to explain to hard-pressed renters and mortgagors. In contrast, housing costs in the RPI raise the overall inflation rate (see chart).

Whilst the MPC seeks to reduce inflation, partly by increasing the cost of living and hence squeezing the spending power of the 29 per cent of households that are buying their homes with a mortgage, it is pretty much blind to renters. The MPC minutes for June 2023 rather lamely note that, 'The Committee also recognised that it had become more important to consider developments in the rental market'. This was the first reference to the rental market recorded by the MPC, and there is no elaboration.



Source: ONS.

Inflation targeting remained relatively uncontroversial after it was introduced, as it coincided with the worldwide shift towards low inflation and low interest rates. The two big shocks to the economy – the global financial crisis and the Covid-19 pandemic – placed deflationary pressure in the economy that merited shifts to ultra-low interest rates. Whilst these contributed to house-price inflation, the Bank of England – in common with other central banks – maintained that it is responsible for consumer-price, not asset-price, inflation.

The current inflationary resurgence casts doubt on the purpose of targeting a cost-of-living index that omits a large part of the cost of living, i.e. housing costs. It might even lead us to question why there is a global consensus that monetary policy implemented by notionally independent central banks should be the sole means of controlling a (partial) cost-of-living index.

A more rational approach would be to adopt a cost-of-living index that reflects the costs that owners and tenant households actually face, and to seek to control it by co-ordinated monetary and fiscal policy measures. Such an approach would focus badly needed attention on the taxation of housing, particularly the absurdly outdated council tax.

Since the mortgage market was deregulated in the 1980s, housing has been the great disrupter of economic policy, with much of the difficulty arising from the increasingly permeable wall between its twin role as both a consumption good and an asset. But that is no reason simply to ignore it. Cost-of-living indices should be credible: excluding housing costs, or treating them in a way that bears little relation to how people experience them, undermines their credibility.

A general election approaches: will the parties break the current impasse in housing policy?

John Perry, Mark Stephens
and Peter Williams

British politics entered a period of instability following the Brexit referendum in 2016. Although the Conservative Party has remained in government since then, there have been no fewer than four prime ministers, each pursuing their own distinctive agendas.

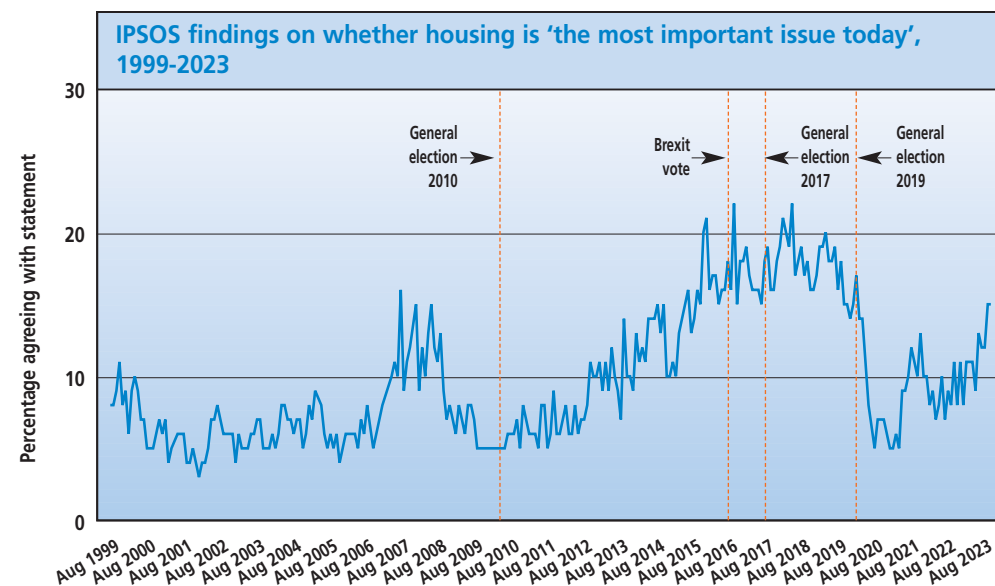
A clear sense of direction for housing policy was provided by Boris Johnson's emphatic election victory in 2019. The centrepiece of his vision was the wholesale reform of the planning system, including moving from the long-standing discretionary system to a zonal one, and the (re)introduction of mandatory housing targets for local authorities. These were intended to deliver his ambition of building 300,000 new houses each year in an effort to improve affordability and widen homeownership. However, this approach was effectively abandoned following the Conservatives' loss of Chesham and Amersham to the Liberal Democrats in a by-election in June 2021. His opponents were able to exploit the weighting of the new homes targets towards Conservative constituencies in the south to great effect. Within 15 years, policy has therefore swung from New Labour's employment of mandatory housing targets, their abandonment under David Cameron's "localism" agenda, their re-adoption by Johnson, and then their effective abandonment by Johnson and his successors.

With this centrepiece of policy stripped away, the Help to Buy shared equity scheme – a legacy of the Cameron government – remained the largest element of housing policy in terms of its reach and the resources devoted towards it. The scheme emerged from the aftermath of the global financial crisis (GFC), initially intended to assist the housebuilding industry, but later sold as a means of closing the deposit gap for would-be first-time buyers. Evaluations suggested that there was a good deal of 'dead weight' in the system in that many of the beneficiaries could have afforded to buy a home unaided, and the high dependency of most of the large housebuilders on it did not bode well for the industry's capacity. Even before the scheme ended in March 2023, its return was mooted.

The Covid-19 pandemic might have prompted longer-term reforms to housing and in particular the lessons learned from the need to house rough sleepers and suspend the use of dormitory-type accommodation, but the hopes of 'building back better' soon faded. The 2019 Conservative manifesto commitment to end rough sleeping still obtains, but numbers have been rising once more. The local housing allowance was restored to 30 per cent of median rents in broad housing market areas in 2020, but has not been updated subsequently. Other austerity-era restrictions, such as the 'bedroom tax' and the two-child limit, have remained in place.

The resurgence in inflation has caused the Bank of England to raise base rates from 0.1 per cent to 5.25 per cent in little more than 18 months, placing pressure on the 29 per cent of households purchasing their homes with a mortgage, as their fixed-interest periods expire. These events provide some credence to the prudential policies introduced in the aftermath of the GFC – particularly the affordability and interest-rate stress tests, whose dilution had been advocated by some commentators. However, the robustness of the state safety net, support for mortgage interest, which was reduced from a cash benefit to a loan in 2018, will be tested as arrears cases inevitable rise. The government's principal response has been to agree a 'mortgage charter' with mainstream lenders. This is mostly a restatement of existing practice, but contains several additional measures, notably that lenders will not seek possession for a year and will offer an interest-only option for six months.

Since the Brexit referendum, housing policy in England has reflected both political and economic turbulence, as well as the challenge of the Covid-19 pandemic. The pandemic and cost of living crisis have served to highlight the need to step back and to think strategically about housing policy and the housing system as a whole.



Source: IPSOS Issues Index.



The parties' housing policies

Housing will be a significant factor in the coming general election, given linked crises of unaffordable housing costs and high levels of homelessness. Could potential policy responses between the main parties make a difference? Here we look at the available evidence so far (only for English housing policy, as the issue is devolved in the other nations).

The most obvious battleground of ideas is on targets for housebuilding and where development should take place. The Conservative commitment to a target of 300,000 new homes per year has now become very notional, with Michael Gove's so-called 'long-term plan' for housing arguing that it can be achieved mostly by further relaxing permitted development rules to raise densities in existing cities, an objective unlikely to be met as the potential is likely much more limited than Gove imagines. Labour's boldest housing policy so far has been to endorse the 300,000 target, but also to state clearly that development will be needed on greenfield land, including creating a new generation of new towns, in order to achieve it.

Common ground – perhaps unsurprisingly, given the politics of tenure – is further promotion of homeownership. The Conservatives will want to deflect the blame for higher mortgage costs, yet neither they nor Labour have announced any changes to what has become a rather flimsy state 'safety net' for mortgage payers. Both parties appear to hope, instead, that extra help for first-time buyers (FTBs) will prove their commitment to homeownership. The Tories have hinted that Help to Buy might be relaunched, which would have advantages – it is tried and tested and should boost housebuilding, as well, of course, as boosting housebuilders' profits. They might also try to boost Rent to Buy which, like First Homes, has to date had very modest impact. Labour is opting for a new system of mortgage guarantees to support higher loan-to-value borrowing, measures to stop new housing from being sold to foreign investors and giving 'first dibs' to FTBs, all as routes towards an objective of getting homeownership back up to 70 per cent of households.

Right-to-buy policies might prove more contentious. The Conservatives have not yet explicitly repeated the Johnson promise to extend RTB to housing associations, but Labour has backtracked on earlier promises to suspend the RTB. It is, however, reviewing the current level of discounts. The Tories have temporarily allowed councils to reuse all their RTB receipts, and Labour is likely to make this permanent.

For private renters, Labour promises a charter 'to tip the balance of power towards the renter and away from the landlord'. It would see an end to Section 21 'no fault' evictions and improvements to the rules around allowing pets in properties. This is a murky area

of policy, however, with Labour still rather vague while Conservatives are steering the Renters' Reform Bill through parliament (which includes the section 21 ban) and equivocating on how strong the protection for tenants should be.

Vital to private renters, in particular, are remedies for the huge gaps that have opened up in the social security system. At the time of the last Budget, there were strong hints that local housing allowances would be restored to the 30th percentile level of market rents: it did not happen, but is still being pushed strongly by civil servants. Labour has made no commitment on this, and has notably said it will keep the two-child benefits cap, which suggests that it will promise no more than the Tories do in assistance towards housing costs. As many have pointed out, this will significantly affect efforts to reduce poverty, especially child poverty.

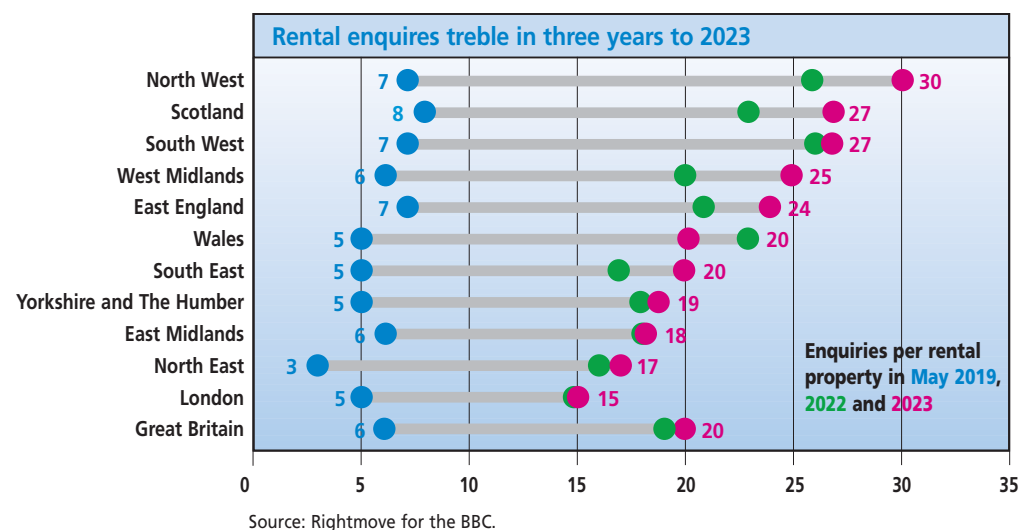
As noted at the outset, the cost-of-living crisis and interest-rate increases have had a big impact on affordability across the private market. One consequence is that people are being squeezed out of homeownership, increasing the demand for renting at a point when the PRS is contracting. The rising rents that flow from this run hard up against the unamended LHA.

This highlights the need for more affordable housing, an area where there might be clear water between the two main parties, given that Labour is at least looking at the costs of a much bigger Affordable Homes Programme. It is also being urged by lobbyists to look at new fiscal rules which would favour investment in assets such as housing, for example by giving much more prominence to asset-based accounting. The Conservatives continue to trumpet their support for social renting but in reality output has dwindled and there is little to suggest re-election would change this.

The planning system is another area where policies differ markedly. Labour wants to keep, and strengthen, 'developer contributions' towards affordable housing, while the Tories press ahead with their replacement, the Infrastructure Levy. While section 106 contributions play a vital role in funding affordable output, this is an issue which few people understand in detail, and where there is heavy counter-pressure from developers.

There may be even bigger differences over aims of achieving 'net zero' in housing. Labour will promise an ambitious 'National Warm Homes Plan' to achieve EPC band C in all dwellings within a decade, assuming that it is not delayed by cautiousness over spending commitments. The Tories appear to be backtracking on net zero, and their poor delivery of energy-efficiency and low-carbon home heating is documented on page 12. It seems that differences about 'net zero' and about protecting green belts might dominate debates on housing issues in the run-up to an election, while equally important topics are largely ignored.

The Briefing Paper's economic commentary (page 4) highlights the rapid rise in interest rates, with the market pricing-in a further increase on the current 5.25 per cent (a rate last seen in February 2008, over 15 years ago). Although the media typically focusses upon the impact on homeowners, some 60 per cent of homes in the PRS are mortgaged, many on an interest-only basis. Rents have been rising on the back of these rate rises but also because demand has risen sharply given the squeeze on homeowner affordability. As far as the data offer any clarity, the supply of rental homes has been static if not falling.¹ The chart highlights the trend in enquiries for homes to rent and how that has changed over the last three years, by country and region.



For frustrated would-be first-time buyers (FTBs) this is truly a 'double whammy': not only can they not enter homeownership but high rents mean their capacity to save is eroded. Many must now wait upon house-price falls and falling mortgage rates. There is evidence of both taking place, but no one is expecting interest rates to revert to their previous levels. In terms of prices, the market is already experiencing real-terms falls, but in nominal terms reporting is more mixed. The rate of increase has fallen in successive months and some indices are suggesting actual falls are now taking place. Clearly there are major regional and local variations.

International evidence suggests that a one per cent rise in interest rates produces a two per cent fall in house prices. There are several caveats. First the impact is lagged – typically taking at least six months to a year to work through. With fewer mortgagors (many on

fixed rates) and more outright owners, the impact is reduced. Second, research suggests that it is also conditioned by the elasticity of supply, which varies by area.² Thus there can be no automatic calculation of the consequences other than it is a negative influence on prices.

Although not a universal view, the general market expectation is that a market collapse is unlikely and that the government would step in if one appeared imminent, but there will be continued falls in prices and in turnover. In part, this view is built around the continued long-term mismatch between demand and supply as well as factors such as the rise of outright owners and of cash buyers, support from the Bank of Mum and Dad and the already 'banked' long-term house-price appreciation. Mortgage arrears and possessions are rising but seem unlikely to reach the numbers experienced in the early 1990s. The Bank of England has been slower than some other central banks to take account of the housing market but that may be changing.

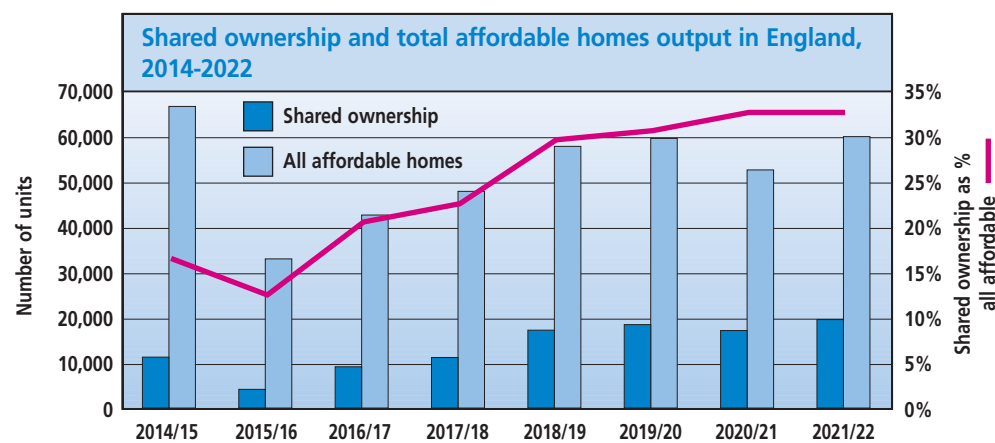
Research looking at previous housing market downturns has emphasised how they all varied in causes and consequences as well as highlighting the key role played by macro-economic factors.³ Three of the four downturns since 1970 were also preceded by an upturn that was facilitated by policy measures. While there are some grounds for optimism that government, regulators and the market itself are now better placed to prevent a serious downturn, it is clear from the past that such events have tended to distract ministers and officials from the need to carry out long-term market reforms that would reduce overall volatility and risk exposure. The pandemic provided useful lessons in how to manage short-term effects, but there is no sign of longer-term reform nor of reforming housing taxation. The government's recent 'mortgage charter' and mortgage guarantees for a small number of outstanding loans all help, but they must be viewed against the context of a weak, loan-based safety net for mortgage payers (albeit with reduced waiting times), together with continued market volatility, hugely stretched affordability and an ongoing cost-of-living crisis. Modest grounds for optimism should not mean that the real pain being borne by renters and home buyers is understated.

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The part-rent, part-ownership shared ownership model (SO) has been a part of affordable housing policy in England since 1980, when it was introduced by a Conservative government. Since then, around 400,000 SO homes have been built and around half remain in SO – perhaps much lower numbers than might be expected given that Help to Buy, now ended, delivered similar numbers in just ten years. With continued high house prices, much higher mortgage costs and squeezed affordability across the private housing market, the government is short of solutions that deliver the needed numbers. There are 17 different affordable homeownership schemes in place,¹ but the First Homes pilot and Rent to Buy have produced only small numbers (probably under 2,000 homes) while the mortgage guarantee scheme supported 23,113 purchases in 2022. SO is now therefore one of the most significant at almost 20,000 new homes per annum.

The government hopes to reverse the sharp decline in homeownership: down to 64.3 per cent from 71 per cent in 2003. Since that date the number of mortgaged households has also fallen by some 1.4 million. The challenge is even greater when viewed in the context of the very differing rates of decline of homeownership across income deciles.²



Source: UK Housing Review 2023, Compendium Table 20a.

Although the need and demand for SO has risen, its supply has not – indeed some important not-for-profit registered providers (NFPRPs) of SO have reduced their output to rebuild financial resilience and boost expenditure on their existing stock. As the RSH’s last quarterly survey for 2022/23 shows, without the increased involvement of for-profit providers (FPRPs) there would have been a fall in overall development expenditure. There is now a very active SO sales market as associations cash in on their assets. *Social*

Housing’s 2023 sector survey showed that some eight per cent of associations had sold their SO book (all or in part) and a further 21 per cent were intending to do so. While NFPRPs still hold the majority of SO stock, the for-profits are growing quickly and will probably become the main holders in the future, albeit some in partnership with NFPRPs.

In 2021/22, 19,386 SO homes were completed, mainly by NFPRPs; just under half were provided via section 106 agreements, largely without grant. Numbers have fluctuated over recent years and industry estimates based on applications for SO mortgages suggest that supply is well below actual demand. There are now several unregulated private sector shared ownership schemes reflecting the growing investor appetite for funding SO, outside the Affordable Homes Programme.

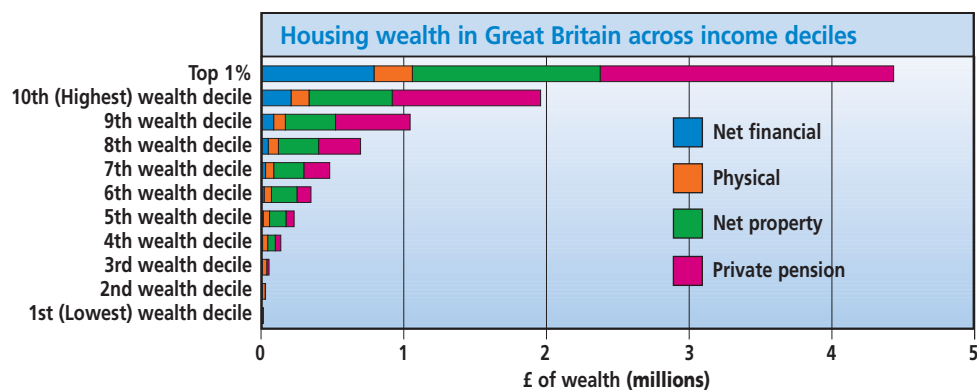
A recent report for SAGE,³ a leading for-profit SO provider, makes a data-led assessment of the maturing market, painting a relatively positive picture of the sector’s performance. However, the Ombudsman’s report on shared ownership in 2020 and a more recent discussion of the consumer experience⁴ have highlighted significant, continued weaknesses. Large numbers of shared owners can also be classified as financially vulnerable, reinforcing the case for a strong consumer focus.⁵ Work by the Shared Ownership Industry Group has taken this further and seeks to garner support for a cross-industry Shared Ownership Council: this might help take this forward as well as bedding in reforms from the new model lease, resolving the tensions it has set in train.⁶

Interest in SO is being reinforced by an inquiry by the House of Commons DLUHC select committee and the ongoing regulatory consultation on reshaping consumer standards and linked tenant satisfaction measures. The latter applies to SO and gives some regulatory backing to what is now a strongly developing agenda for further reform of this increasingly important form of affordable housing.

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During 2022, UK housing wealth peaked at £8.68 trillion, making it the economy's largest asset class, even net of outstanding mortgage debt (about £1.66 trillion).¹ That wealth is generally privately held, mainly by owner-occupiers, and is widely distributed compared to other assets. For households in the 4th to 8th wealth deciles, housing is their central, sometimes only notable, wealth-holding, often substituting for pensions and generally precluding a more diverse portfolio.²



Source: ONS Wealth and Assets Survey, 2018-20.

Yet housing wealth is highly skewed: renters rarely have any, while the top one per cent of households own extraordinary amounts. The recent decline in owner-occupation, especially among the young, underlines this. As economic inequality overall attains levels unmatched in living memory, disparities in housing wealth are centre stage.

Unusually, tax is the instrument of choice for 'levelling' these housing disparities 'up', albeit attending mainly to the redistribution of second and vacant homes. Since 2016, buying an additional property has been subject to a three per cent stamp-duty surcharge. Further, while investment returns on owner-occupation are tax-free, sales of all other residential property attract capital gains tax (CGT) of 18 or 28 per cent (with the annual exemption allowance due to fall from £12,300 to £3,000 by April 2024).

The headline shift, however, is in the council tax treatment of most properties that are not primary residences. Once eligible for discounts, these may now, at local discretion, incur a surcharge. This is already true for empty properties, and since April 2023 local authorities in Wales have been able to triple council tax on both second and vacant homes (though few have yet done so). The Scottish Government may follow suit and English legislation will soon allow councils to apply surcharges of up to 100 per cent.

There are compelling arguments for using tax to manage housing's part in amplifying economic inequality, so it is worth considering what these new measures might achieve.

Local authority data suggest there are just over 840,000 second homes and vacant properties in England, Wales and Scotland combined (just under three per cent of the total stock).

If tax penalties turned them all into primary residences, it would constitute a one-off 'stock windfall' amounting to nearly three years' worth of the government's hoped-for annual supply. Vacancy rates are lower in the UK than across the OECD, but reducing them to zero would account for the lion's share (two-thirds) of this. Of course, only some 'recovered' homes would be in areas of particular need, and many may not be affordable or energy-efficient.

Furthermore, if the aim is to wrest more dwelling-space from the existing stock, why impose a 'bedroom tax' on social renters yet not on owners who often underoccupy large properties that are already advantaged by the council tax system and by exemption from CGT. The 2021 Census showed that while around one million households (four per cent) have fewer bedrooms than they need, over 17 million (69 per cent) have more.

Increasing council tax on second/vacant homes could, of course, offer hope to overstretched local government budgets. In 2023/24, council tax is expected (by OBR) to raise £44.4 billion (£1,560 per household, with a band D average of £2,065), accounting for about a quarter of local authority expenditure. If second/vacant properties did not turn over into primary residences but were charged at triple (Wales and Scotland) or double (England) the average rate, the resulting £1.5 billion uplift (£2 billion at band D rates) would be meaningful, if widely dispersed.

Yet, why limit impact, by taxing wealth that is spread across two or three properties differently than the same amount concentrated into one? The answer is that these measures are not very ambitious. They do not address the fact that the UK is below the OECD average for both dwellings-per-head and newbuild as a proportion of existing stock, and consistently misses even modest construction targets. Nor do they tackle the underlying challenge of economic inequality, where tax can be such a powerful instrument.

In the UK, the growing stock of wealth is nearly six times an annual flow of incomes that, for lower earners, has been stagnating. Housing is implicated in this. Yet the combination of limited CGT, stamp duty which distorts housing transactions, together with arguably outdated, ineffective and unfair council taxes, is neither progressive nor comprehensive. It leaves a great deal of housing and other wealth untouched. Substantially to widen the tax base, boost housing production, improve affordability and promote regional 'levelling up' would require dropping these measures in favour of fairer solutions such as land value or wealth taxes.³ The challenge is to devise politically feasible strategies to bring about such radical – arguably essential – reforms.

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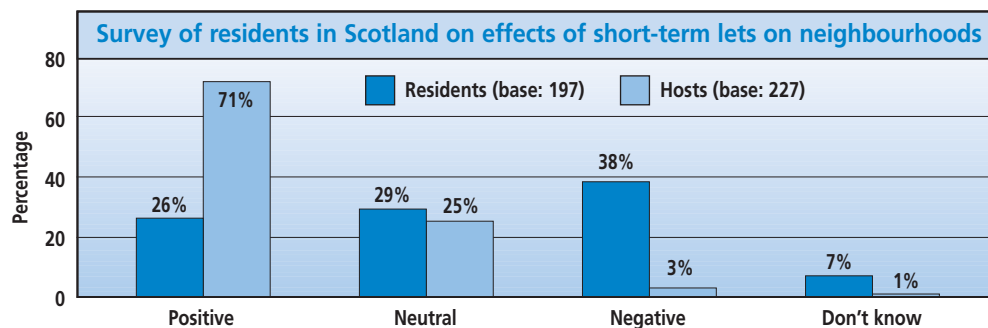
One of the political ‘hot potatoes’ of recent times has been the rise of short-term lets (STLs). UK numbers have increased significantly with the growth of the ‘sharing economy’ and ‘peer-to-peer’ accommodation services such as Airbnb.

There is no definitive source of data on STLs due to the sector’s diverse nature. In 2022, Alma Economics judged that there were 257,000 STLs in England, around 70 per cent of which were entire properties.¹ Just under 32,000 active Airbnb listings were identified in May 2019 across Scotland: nearly 70 per cent were whole properties, accounting for just over one in ten of all dwellings in two areas of concentration, Edinburgh city centre and Skye.²

Debate on the STL sector

Proponents of STLs highlight the benefits for consumers, providers and the economy. The UK’s STL sector generated around £14 billion of spending in 2019, according to Oxford Economics. Of this, 56 per cent went to hosts, meaning 44 per cent (around £6 billion) was spent in the wider economy.³

However, concerns have been raised about the negative impacts of STL growth, particularly in ‘hot spot’ areas. These include the impact on local housing markets, especially on supply and rental prices, the effects on neighbours of noise disturbance and anti-social behaviour, and compliance with health and safety regulations. Research in Scotland showed that nearly 40 per cent of residents had a negative perception of STLs (see chart).



Source: Indigo House Group (2019) Research into the impact of STLs on communities across Scotland for Scottish Government.

Policy development

In England, outside London, there is no specific limit on the number of days a property can be let out on a short-term basis, leaving local planning authorities to judge whether a let constitutes a material change of use requiring planning permission. In London, planning permission is required to let a residential property for more than 90 nights in a calendar year. For England, the UK Government has committed to introduce a ‘light touch’ registration scheme for STLs, mainly to improve consistency in applying health and safety regulations

and to provide local authorities with data. A consultation paper envisages giving local authorities greater control over the number of STLs where desirable, although excluding bed and breakfast lettings (B&Bs).⁴

In Scotland, from 1 October 2022, licensing is mandatory for all STLs, including holiday cottages, B&Bs, guest houses, rooms within a home and yurts. New hosts must apply to the local authority before accepting bookings or receiving guests. Existing hosts must apply for a licence before 1 October 2023, although they can continue to operate while their license is considered. Local authorities can designate ‘short-term let control areas’ to manage high concentrations of STLs. Within control areas, such as Edinburgh, using of a dwelling house, which is not a host’s principal home, as an STL will require planning permission.

Scotland’s Court of Session recently ruled that some aspects of Edinburgh’s policy, including a presumption against granting permission for STLs for whole properties within apartment buildings, was unlawful. Edinburgh Council said it would make changes to comply with the court ruling.

In 2022, the Welsh Government introduced a new planning use class for STLs. It recently consulted on options for the statutory licensing of all visitor accommodation, and is working with local authorities to develop a national framework so councils can request increased land transaction tax rates for second homes and holiday lettings.

In Northern Ireland, all tourist accommodation must be certified by Tourism Northern Ireland, a non-departmental public body; an inspection is required beforehand.

Concerns about impact of policy

Effective regulation requires a balanced approach to tackle perceived problems whilst limiting unintended consequences and mitigating costs.

The more robust approach in Scotland is likely to squeeze STL numbers, particularly in hot-spot areas. Some of these properties may return to residential housing, but not all of them can or will, including boats, yurts and rooms in homes. There are also concerns about the effects on areas reliant on tourism, particularly Edinburgh and parts of the Highlands. The Edinburgh Festival Fringe Society has voiced concerns about the changes.⁵

Numbers of applications for STL licenses have been low across Scotland; unless they improve, enforcement may prove highly challenging.

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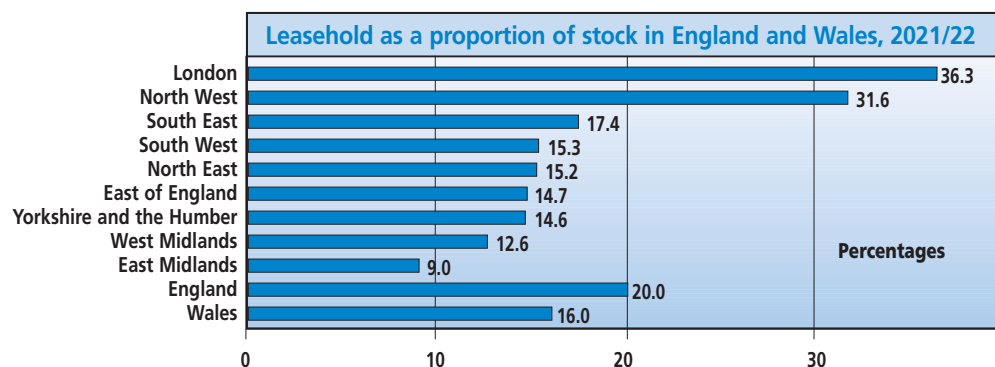
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Leasehold tenure in England and Wales has a long history, with over five million properties occupied on a leasehold basis (of which about 235,000 are in Wales); this represents nearly one in five of all dwellings, almost half of which are owner-occupied. There is a strong regional concentration in London and in the North West (see chart). Almost all flats are now sold on a leasehold basis compared to only six per cent of houses, reflecting a marked shift in how leasehold has been used over recent years, although leasehold house sales remain common in Greater Manchester, Sheffield and nearby areas.

The English Housing Survey 2021-22 (EHS) provided new data on the nature of leasehold households. The EHS found that service charges are significantly higher in London, where leaseholders were also more likely to be paying into a reserve fund to cover repairs and maintenance. The average service charge in London (£42 weekly) was significantly greater than in the rest of England (£27 weekly), and 38 per cent of London leaseholders pay into a reserve fund, compared with 26 per cent in the rest of England. In London, leaseholders are also more likely to be buying with a mortgage and about half of owner-occupier leaseholders are first-time buyers.

However, the vast majority of leasehold households in England were satisfied with their accommodation, especially owner-occupiers (91 per cent satisfied). One factor in driving satisfaction may be that 73 per cent of all leasehold dwellings had 99 or more years on the lease at the time of purchase, giving security of tenure. Another may be the relatively good condition of leasehold properties: for example, 60 per cent were in EPC bands A-C compared with 47 per cent of dwellings in England as a whole. Possibly as a consequence, only eight per cent of leasehold occupiers have requested the right to manage their building/house.

Nevertheless, the EHS evidence on satisfaction levels is at odds with the vigorous campaigns on the various limitations of leasehold of leasehold as a tenure. Two major issues highlighted in the *UK Housing Review 2022* were leasehold terms that include



Source: DLUHC Official Statistics, Leasehold Dwellings 2021-2022, Annex Table 4; Welsh Government, Research into the sale and use of leaseholds in Wales, 2021.

built-in increases in ground rent payments, and the high cost of structural work and of 'waking watches' needed to address fire safety problems in multi-storey properties.

While legislation put an end to ground rents being charged on most new leasehold properties in England and Wales from June 2022, it left the problems faced by existing leaseholders untouched. Action has also been taken to limit leaseholders' exposure to high building safety costs, but the *Review* said the response was still 'haphazard, faltering and shifting'.

A new report by PropertyMark pinpoints a range of further problems: the short period remaining on many leases, the high cost of renewing a lease, difficulties obtaining information from management companies, and the need for more clarity on occupants' rights to acquire the freehold.¹

These issues appeared to be recognised by housing secretary Michael Gove, when he announced in January 2023 that leasehold would be abolished: this was widely welcomed. But by May he had backtracked sharply, promising only more modest reforms in forthcoming legislation, such as:²

- A cap on the amount of ground rent freeholders can charge their existing leaseholders at around 0.1% of the property's value.
- Ending the 'marriage value' that must be paid when a lease of under 80 years is extended.
- Introduction of new rules around service charge fees.
- Banning the practice of adding commission to buildings insurance.
- A power for tenants to choose their own property management company.

Legislation is now due in the autumn: it remains to be seen how many of the promised reforms will survive the pressure on MPs from landowning interests.

The irony is that the government had long promised to implement reforms developed by the Law Commission, once its work was complete. It was finished three years ago and had several major proposals, such as reinvigorating commonhold (an alternative to leasehold available since 2002, but rarely used because of its complexity and unfamiliarity). When Gove stalled on further reform, the Labour Party promised firmly that the tenure would be ended. Within 100 days of a Labour government taking power, the then shadow minister Lisa Nandy said, legislation will be introduced to implement the Law Commission's proposals.³ Until then, as the *Review* commented in 2022, 'leasehold in England and Wales remains a mess'.

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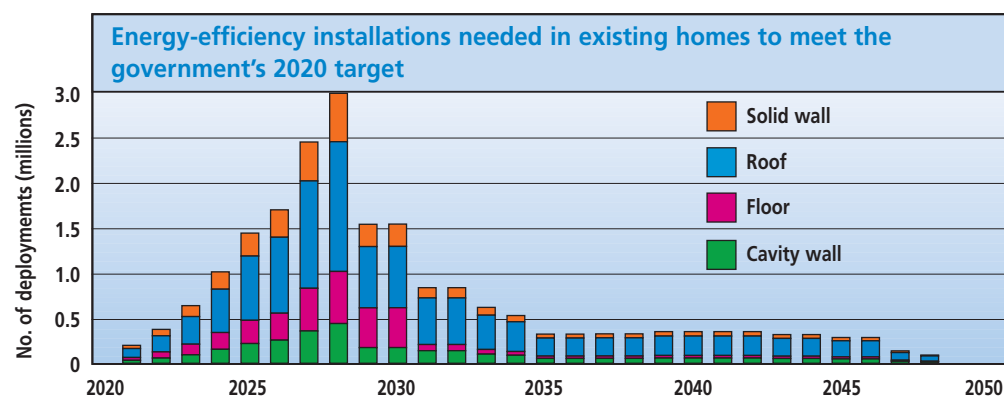
1 PropertyMark (2023) *Leasehold 2023: Has anything changed?* (www.propertymark.co.uk/resource/leasehold-2023-has-anything-changed.html).

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The safety and energy efficiency of our homes remain a major concern. The Grenfell Tower fire in 2017, the ‘Beast from the East’ cold snap in 2018, and the ongoing energy crisis are by no means the only reminders of how urgently we need to tackle these issues. But as understanding grows, action – and funding – to meet them remains fragmented.

All homes need to be energy-efficient and zero-carbon by 2050 (at latest) to meet statutory targets. Despite this, the Climate Change Committee (CCC) says progress is ‘significantly off track’, noting the need for ‘faster deployment of energy efficiency measures in homes.’¹ A key reason is the scaling back and under-delivery of government retrofit schemes. The Energy Company Obligation (ECO4), worth £1 billion per annum, delivered only 166,400 measures in the year to July 2023 compared with 255,000 in the previous year. While other schemes perform better, supply chain and other challenges continue. For example, UK heat-pump installations reached 72,000 in 2022, well below the CCC’s ‘balanced pathway’ to reach 600,000 installations annually by 2028.² Given CCC estimates that approximately £250 billion must be invested to fully decarbonise homes by 2050, progress is plainly insufficient.



Source: CCC (2023) Progress in reducing emissions: 2023 Report to Parliament, Figure 5.7.

In contrast, the safety of existing homes continues to be a government priority. In England, the government has set up the Building Safety Regulator with which all higher-risk buildings must now be registered. The Responsible Actors Scheme sets out the responsibilities of (some) developers for remediating fire safety defects in residential buildings and two funds help address fire risks in such buildings taller than 11 metres. In August, government confirmed it will legislate for improved building control procedures. Practically all tall buildings with Grenfell-style cladding have now been tackled, but uncertainty continues for many lower-rise buildings with different safety issues.

In new build housing, progress is still mixed. In 2022, 96 per cent of new dwellings in England and Wales were in EPC Bands A-C, but in the last ten years over 100,000 homes have been built that are at EPC D or below, and will require improving to EPC C in the future.³ From 2025, England and Wales intend to mandate similar standards of low-carbon heating and energy efficiency in new homes through updated building regulations, and in Northern Ireland revised building regulations require homes to achieve a 40 per cent reduction in carbon emissions. Scotland proposes a version of the Passivhaus standard for new housing. However, despite urgings from the CCC, delays continue.

The safety of new build homes, especially those above 18 metres in height, is also under review. Plans include rules on staircases, which now mean new residential blocks in England over 18 metres tall will need to have more than one staircase (previously, the proposed threshold was 30 metres). Fire sprinkler systems will also be mandatory for all new care homes, regardless of height. Northern Ireland has also published proposals to update their building regulations to incorporate recommendations from the inquiry into the Grenfell Tower fire, including new criteria for installing sprinkler systems. Meanwhile, across the entire UK, questions remain about the safety of low- and medium-rise new buildings due to the immediate focus on high-rise: fire statistics show that, in 2021/22, two-thirds of flat fires in England took place in low-rise buildings of up to three storeys.

As the sector accelerates its efforts to ensure all homes are safe and warm, the UN secretary general, António Guterres, warned the world that ‘the era of global boiling has arrived’ and that ‘dramatic, immediate climate action’ is needed to limit global warming to 1.5°C. Unfortunately, the Westminster government appears to be heading in the opposite direction: recent announcements included the dissolution of the Energy Efficiency Taskforce, scrapping proposed updates to the energy efficiency requirements on PRS properties and delaying regulatory action intended to phase out fossil fuel heating in off-grid homes. It is, however, planning to consult on energy-efficiency standards in social housing.

Yet a warmer world will present new risks to the built environment and all who inhabit it. More damaging floods, heatwaves, droughts, storms, and risks yet unquantified will increasingly punctuate efforts to improve the efficiency and safety of our homes. Urgent steps to address the energy-inefficient and unsafe aspects of UK housing are required, but they must now be combined with measures to mitigate the potentially damaging consequences for homes and communities of a warming planet.

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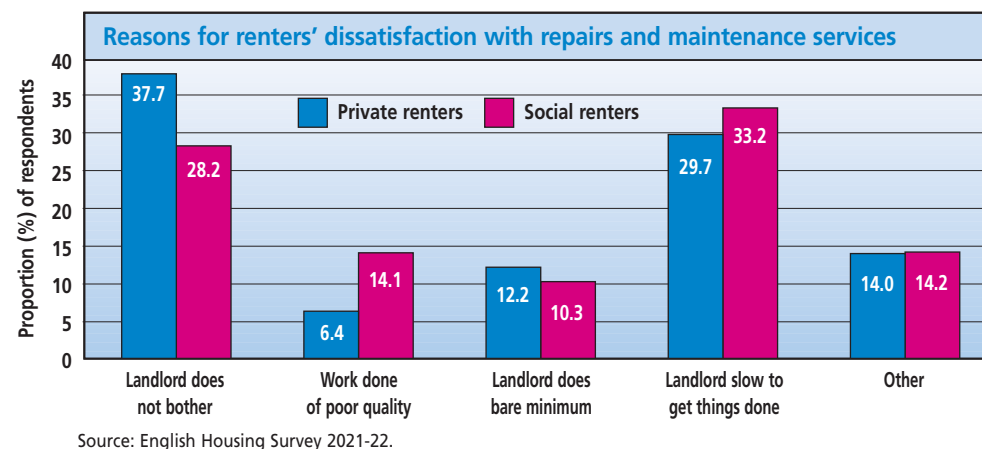
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Dealing effectively with damp and mould remains one of the core priorities of the UK housing sector. Following the death of Awaab Ishak and a mounting number of damp-related severe maladministration judgements by the Housing Ombudsman, both the private and social rented sectors have been placed under necessary scrutiny. In England, the government intends to introduce an updated Decent Homes Standard as part of the Renters (Reform) Bill, and the social housing sector is undergoing a range of reforms centred on the Social Housing (Regulation) Act and its associated consumer standards. In particular, the introduction of ‘Awaab’s Law’ will place firmer expectations on social landlords for dealing with damp and mould, as well as other serious hazards.

Based on the English Housing Survey (EHS), the *UK Housing Review* shows that the prevalence of damp in English housing has hovered at around four per cent for over a decade, following a substantial decrease from 1996. However, it should deepen our worry that alternative data sources suggest that the EHS may underestimate the prevalence of damp and mould in English housing. Focusing on social housing only, in February 2023 the Regulator of Social Housing (RSH) estimated that less than 0.2 per cent of social homes have the most serious damp and mould problems, 1-2 per cent have serious damp and mould problems, and a further 3-4 per cent have notable damp and mould.¹ More alarmingly, recent research by the Resolution Foundation found that 1 in 5 people reported living in a damp home, and that dampness was concentrated in private (30 per cent) and social (27 per cent) rented housing.² Research also consistently tells us that some households are more likely to be affected, with households containing children, lower-income households and those with a black household reference person all highlighted by the EHS.

Damp is not just unpleasant – there is significant evidence that damp, as well as mould, causes and exacerbates serious health issues. Their link with respiratory issues, especially among children and older people, is well-documented, and there is evidence that damp is associated with mental ill-health, social isolation, and stigmatisation.³ Growing understanding of the prevalence and health implications of damp and mould issues have placed repairs and maintenance services under the spotlight. For many years, detailed data on levels of resident satisfaction with repairs services were not available, a fact that undoubtedly contributed to sector and government ignorance of the severity of damp and mould issues. From April 2023, social landlords are required to collect tenant satisfaction data on repairs services, with the first year of data scheduled for publication in autumn 2024.

In the meantime, updates to the EHS methodology provide a first glimpse of the levels of dissatisfaction. Findings from the EHS’s new Satisfaction and Complaints module show that in 2021/22, private renters were more likely to be satisfied with the repairs and maintenance carried out by their landlord (75 per cent) than social renters (62 per cent).⁴ Importantly, households that contained someone with a long-term illness or disability were less likely to be satisfied with their repairs and maintenance (63 per cent) than households without (71



per cent), showing the importance of good adaptation practices. The main reasons for dissatisfaction across both rental sectors were perceptions that landlords did not bother or were too slow to get problems tackled.

In social housing, these findings mean that over one million households were not satisfied with the repairs services they received. Unsurprisingly, satisfaction levels were also lower for social housing residents with a damp problem than those without. Persistently poor outcomes for people requesting repairs work in social housing was a key focus of the Better Social Housing Review (BSHR), which found evidence of much broader problems than the speed of getting things done. While recognising that the cost of delivering repairs services has soared alongside inflation, the BSHR found that dissatisfaction was also driven by inconsistent and occasionally defensive complaints-handling practices, with some residents, especially those from black and minority ethnic backgrounds, feeling afraid to discuss housing conditions for fear of repercussions or losing their homes.

As the sector redoubles its efforts to rethink repairs and maintenance and eradicate damp and mould problems, satisfaction data signal the problem but not necessarily the solution. Instead, the BSHR shows that working with residents to understand what is wrong and how to put it right is critical, if past mistakes are not to be repeated.

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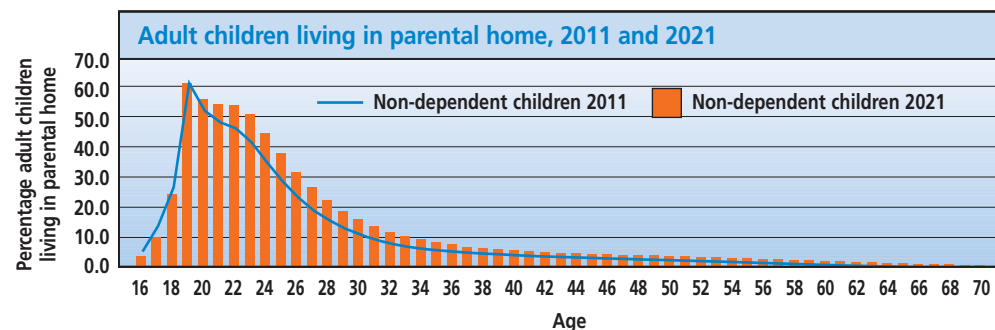
- 1 See www.gov.uk/government/news/regulator-of-social-housing-publishes-initial-findings-on-damp-and-mould-in-social-housing
- 2 See www.resolutionfoundation.org/publications/trying-times/
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The latest Census statistics provides a snapshot of the population as it was on 21 March 2021, during the second national Covid-19 lockdown. Key findings for England and Wales are now available, but UK-wide findings await publication of Scotland's 2022 Census.

Where did the households go?

The usual resident population of England and Wales grew by over 3.5 million (6.3 per cent) to 59,597,543 in the decade to 2021. Allowing for the latest figures for Northern Ireland and Scotland brings the UK population in 2021 to 67 million.

In the decade to 2021, the number of households grew by 6.1 per cent from 23.4 million to 24.8 million, with higher growth in England (6.2 per cent) than in Wales (3.4 per cent). The Census population count was just 0.45 per cent below previous ONS estimates. However, the household count was almost four per cent below the 2014-based projection that underpins English housing needs assessments. This reflected a combination of a slowdown in population growth and suppressed household formation. In 2021, the average household size in England was 2.41, up from 2.40 in 2011. In contrast, both the 2014 and 2018 household projections assumed that declining fertility rates and growing numbers of older people would continue the long downward trend in average household size.



Source: ONS Census 2011 and 2021.

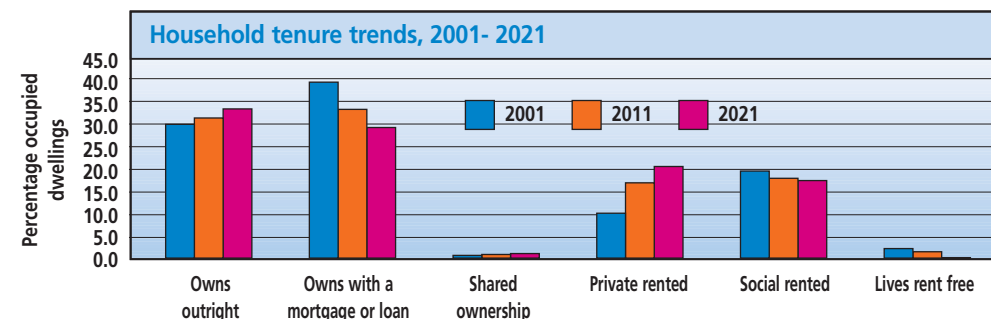
Suppressed household formation saw numbers of concealed families increase by 27 per cent to 367,500 and numbers of adult children living with parents by 15 per cent, to 4.9 million (see first chart). Multiple drivers contributed to suppressed household formation, including labour market changes, rising student debt and people returning to the roost during the pandemic. Still, regional variations suggest that affordability constraints also played a big role. London, the region with the highest housing costs, had the highest average household size (2.6) and the fastest growth in adults living with their parents (up 24.5 percentage points) in the decade to 2021. The North East, with the most modest housing costs, saw little change in these numbers.

Despite the rise in suppressed household formation, the proportion of households with fewer bedrooms than they needed changed little, falling from 4.5 per cent in 2011 to 4.11 per cent in 2021.

Overcrowding remained more problematic for those who rented from a social (9.4 per cent) or private (7.3 per cent) landlord, especially those with dependent children and those from 'non-white' ethnic groups. Overcrowding was worst in London (11.1 per cent), home to 36 per cent of the 1.05 million overcrowded households, although high levels persist throughout England and Wales.

Tenure shift slows

While the shift from mortgaged homeownership to private renting continued in the decade to 2021, the pace of change was less pronounced, with private renting increasing by 3.7 per cent in 2011-21 compared to 6.7 per cent in 2001-2011. Renting from a social landlord continued to decline between 2011 and 2021, consistent with low levels of new supply in the sector. Just one per cent of households lived in shared ownership properties in 2021.



Source: ONS Census 2001, 2011 and 2021.

Uncertainties

The Census response rate was 97 per cent, exceeding the ONS target of 94 per cent. However, changes to questions and definitions limit the ability to track important issues. For example, the 2021 Census disability questions referred to mental health conditions for the first time while sheltered housing was removed from the count of communal establishments.

More significantly, pandemic conditions impacted on sub-national demographic, labour market, and housing data. Collectively, the temporary halt to international migration, temporary changes in residence, furlough and other lockdown measures raise difficult questions about how the Census will be used to inform policymaking and resource allocation.

The Supported Housing (Regulatory Oversight) Act, which came into force in England in August, was widely welcomed for its objective of driving rogue operators out of the supported housing sector while protecting good quality provision.

Successive investigations have revealed the extensive harm being caused to people experiencing homelessness and other forms of social exclusion who are forced to accept shockingly poor accommodation at huge cost to the taxpayer.¹ People are being placed in dangerous and dehumanising situations by landlords looking to exploit the higher rates of housing benefit (HB) available for exempt accommodation.

The Act aims to break this business model by creating a licensing regime for supported housing and new national supported housing standards. Importantly the Act creates the potential to link decisions on whether providers meet the exempt landlord condition in the HB regulations,² to whether they hold a licence or comply with the new standards. Consultations on the arrangements should provide an opportunity for councils, supported housing providers and residents to influence them.

Critically, councils must have adequate funding and capacity to implement the new regime, and the regulatory burden for providers must be proportionate to the level of risk. Crisis, CIH and others will be calling for a strong focus on homelessness prevention as the new regime is introduced.

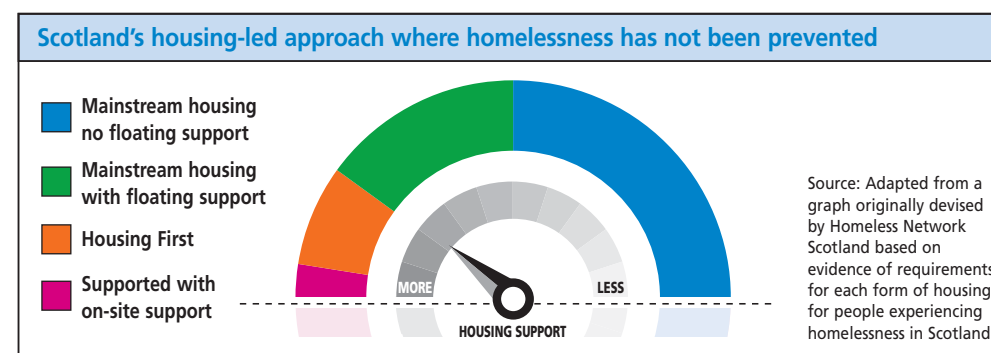
The Act also creates new duties for local authorities to assess the need for housing-related support and to develop a strategic response. Councils should be building a better picture of the need for and availability of different types of housing-related support in their areas, and in turn generate better evidence to inform the national picture. The Act also creates a new Supported Housing Advisory Panel of local government and supported housing sector representatives to assist ministers and local authorities.

DLUHC's Supported Housing Oversight Pilots provide an indication of the type of learning and strategic response that may emerge from these new statutory assessments. As well as assessing the need for and availability of accommodation-based services, strategic assessments showed the acute shortage of affordable mainstream housing: people cannot move on from supported housing when they no longer need it, and some are being referred into transitional supported housing when they have no support needs, simply because of the shortage of rented housing.

Some pilots identified a business case for dispersed models of support in mainstream housing.³ This included a need for more Housing First places for people with multiple and complex support needs not met through the current homelessness pathway, as well as for other 'housing-led' models for people with less complex support needs. Some of the pilots also questioned whether money that is currently going into poor quality and often non-existent support through the benefits system could in future be redirected into support that better meets local needs.

Learning from the English pilots echoes policy developments in Scotland, where a housing-led – or rapid-rehousing – approach to tackling homelessness has been embedded in national policy.⁴ In Scotland the role of hostels and similar models of supported temporary accommodation is being gradually reduced. The new approach predominantly involves mainstream housing provision with tailored support and a substantial growth in Housing First places. It also involves reshaping existing provision to deliver specialist, long-term supported housing for the minority of people for whom Housing First is not suitable, as well as good quality emergency assessment centre provision that is genuinely short term. The chart shows the spectrum of settled mainstream and supported housing envisaged in the Scottish model.

Years of cuts to revenue budgets for support, frozen local housing allowance rates and an ever-decreasing social housing stock might suggest that such reforms are out of reach in England. But in the context of an impending general election and drawing on the experience of the pilots, it is possible to foresee a future in which the Act and its advisory panel might be a catalyst not just for regulatory reform but also for wider systemic change. The Act has the potential to lead us towards a more effective response to single homelessness where temporary housing is genuinely temporary and the goal becomes swifter access to a settled home for all.



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The government's need to use barges, barracks and hotels to accommodate refugees and asylum seekers is only partly to do with numbers of new arrivals, and much more to do with failings in the asylum process and in housing provision.

It's true that 2022 saw a record level of net migration - 606,000 more people migrated to the UK than emigrated. However, there were unusual reasons for this - the aftereffects of the pandemic, people coming to work and study, and refugees from Ukraine, Hong Kong and Afghanistan. Only seven per cent of immigrants were asylum seekers, despite the attention given them by the media. Indeed, returning British nationals exceed these numbers (eight per cent of the total).

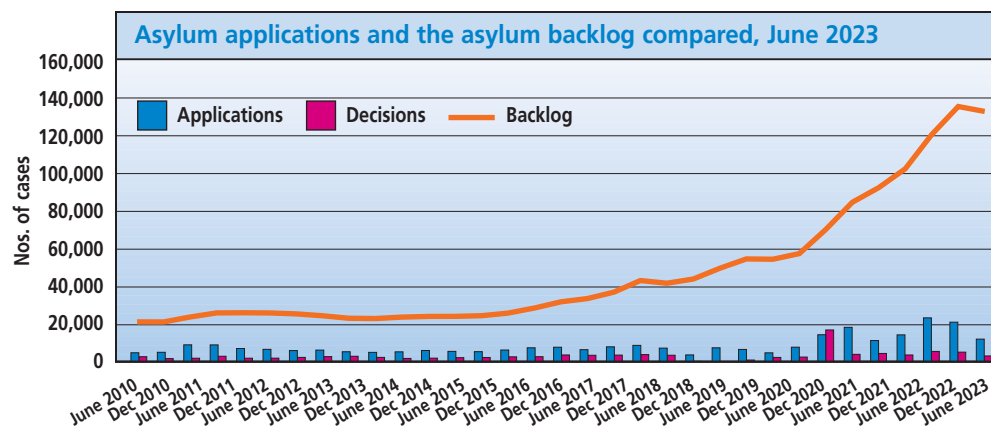
Most new migrants, even visa-holders, have 'no recourse to public funds' and must find housing themselves. This means that the principal groups who may need help with housing are refugees and asylum seekers.¹ Refugees who arrive by 'safe and legal' routes generally have full entitlement to housing and benefits, but asylum seekers arriving irregularly do not, and receive very limited subsistence support, including accommodation if needed. Under the Illegal Migration Act, any people arriving irregularly will be denied the right to claim asylum: in theory, they face indefinite detention or removal to a third country; in practice many are likely to remain undocumented, adding to the numbers sleeping rough or otherwise without proper housing.

Ukrainian refugees, numbering 183,000 to date, have been given special treatment compared with arrivals from other war-torn countries. The 'Homes for Ukraine' scheme placed 129,000 people with hosts (who receive a monthly payment). Another 54,000 people have been allowed to stay with family members already in the UK, and Ukrainians working in the UK have been granted visa extensions. However, unmet housing needs are beginning to emerge: by August 2023, 7,760 Ukrainian households had presented as homeless to local authorities. In addition, a recent survey showed that more than half of Ukrainians now here plan to stay indefinitely.²

Afghan refugees, of whom 21,500 have arrived under resettlement schemes, were not offered these options. Some were accepted by social landlords, but a large proportion were placed 'temporarily' in hotels and almost 10,000 were still there in August 2023, half of them children, when a self-imposed government deadline to end hotel use expired. Of the first families evicted, one in five presented as homeless instead of making the often-distant moves on offer.³

Some 50,546 asylum seekers were also in hotels in June 2023, costing about £6 million per day.⁴ This has led to solutions such as the 'Bibby Stockholm' barge and former army barracks, offering more demeaning and even unsafe accommodation. In a push to put more asylum seekers in houses in multiple occupation, the government also plans to exempt them from local licensing requirements, raising questions about fire and other risks. The move may also make it attractive for temporary accommodation providers in the PRS to switch to housing asylum seekers, as a more lucrative proposition where only lax standards are applied.

A significant part of the accommodation problem results from the backlog in dealing with asylum claims, which has risen about 15 times faster than the numbers claiming asylum (see chart). Immigration minister Robert Jenrick defended these delays, saying: "If you process claims quickly that just encourages more people to come."⁵



Source: Home Office statistics to June 2023. Tables Asy_001, Asy_002 and Asy_004. 'Decisions' excludes resettlement decisions.

However, it also means 108,000 people are stuck in Home Office-secured accommodation, more than double the numbers of three years ago. Given that three-quarters of asylum claims are approved, if they had been decided more quickly many claimants could now be working and meeting their own housing needs.

The contrasting treatment of Ukrainians offers both an opportunity and a warning. The opportunity is the possibility of using spare space in family homes to temporarily accommodate other refugees or asylum seekers, after what has turned out to be a largely successful trial. The warning is that even successful responses are only a sticking plaster for a system where the combined resources of the social and private rented sectors are simply unable to respond adequately to emergency situations like those that have arisen in the past two years, let alone cope with the housing needs of the UK population.

References

- Refugees are those whose claim for asylum is already accepted; asylum seekers are those with claims still pending
- Walsh, P.W. & Sumption, M. (2023) *Ukrainian migration to the UK*. Oxford: Migration Observatory.
- See <https://news.sky.com/story/one-in-five-afghan-refugees-evicted-from-hotels-are-homeless-councils-suggest-12933457>
- See www.bbc.com/news/uk-politics-66451620
- See <https://twitter.com/BestForBritain/status/1689178630016978944>

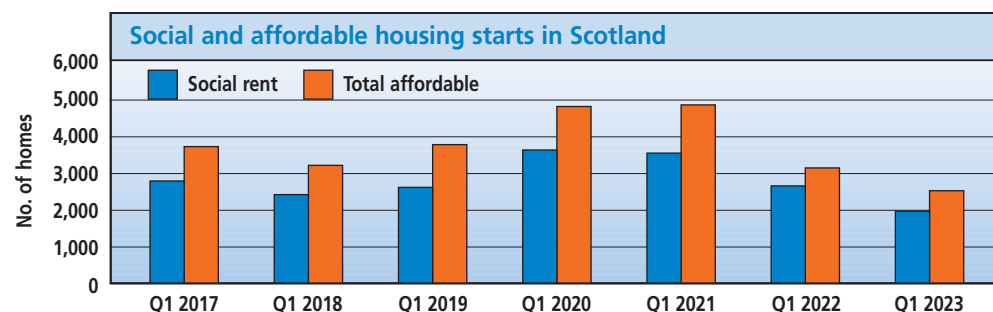
Scotland is predicted to record the greatest fall in real household incomes by the end of 2023/24.¹ If left unchanged, the Scottish Government (SG) resource spending proposals are also projected to outstrip available resources, with the gap rising to £1.9 billion in 2027/28; the capital budget could also shrink by 13 per cent in real terms over the five years to 2027/28.

The anticipated drop in capital is mostly driven by a projected decline in the Capital Block Grant. The growing resource gap, however, reflects both the mounting cost of social security benefits unique to Scotland and the complex system of adjustments needed to account for the devolution of tax-raising powers. The latter will see the Resource Block Grant cut by £390 million in 2024/25 to account for recalculation of income tax revenues in Scotland and the rest of the UK.

The Scottish Fiscal Commission anticipates real-terms decreases in funding available for SG portfolios, except for social security. An updated fiscal framework was agreed between Holyrood and Westminster in August. This doubled the SG's current resource borrowing limit to £600 million from 2024/25, which will make it easier to manage the £390 million reduction in the short run, albeit with the SG still meeting the borrowing costs.

One option would be to cut spending. Another would be to raise income tax, further widening the tax differential between Scotland and the rest of the UK. Currently, 19 per cent of Scotland's 2.8 million taxpayers face a higher-rate of 42p in the £ on income over £43,662 (47p on income over £125,140). This compares with equivalent rates in the rest of the UK of 40p on income over £50,270 and 45p over £125,140.

The Bute House agreement between the SNP and Scottish Greens gave a commitment to complete 110,000 affordable homes by 2032, including at least 77,000 social homes. The effects of rising construction costs and higher interest rates are apparent in the fall in affordable starts of almost one-fifth between 2022 and 2023 and a fall in social starts of one-quarter. Output is well down on the peaks in 2020 and 2021 as the government rushed to meet the previous 50,000 affordable unit target (see chart). The affordable homes budget cut of almost 10 per cent in 2023/24 threatens the attainment of the new target.



Source: Scottish Government.

In September 2022, a rent freeze was imposed on existing social and private tenancies and the enforcement of some eviction orders was paused for up to six months. Subsequently, the rent freeze was replaced with an agreement for below-inflation increases in social sector rents, and with a three per cent cap on private rents from April 2023 (with landlords given some extra flexibility for allowable cost increases). The rent cap and pause on evictions will last until April 2024.

The Scottish Government argues that 'there is no strong empirical evidence to substantiate anecdotal claims... that landlords are leaving the sector' because of the restrictions.² Numbers of properties listed in the PRS register were said to reflect the overall supply of lettings, and showed minimal change. The government therefore concluded that "it is necessary and proportionate" to continue the rent cap given the cost of living crisis.

Some other parties argue that the PRS is shrinking due to factors that include higher taxation, higher mortgage interest rates and the rent cap. A survey of property agents reported an increase in landlords intending to sell because of the rent cap and, with the pause on evictions, many intending to sell when tenancies end.³ Rightmove reported a 20 per cent fall in lettings between June 2021 and December 2022.

A report by SOLACE (representing local authority managers) recommends suspending the legislation because it is unsuccessful, it discourages investment and the PRS 'is shrinking'.⁴ Meanwhile the outcome of a judicial review of the rent cap, brought by landlord groups, is awaited.

Rents on new tenancies, which are uncapped, have continued to rise – by 13.1 per cent in the year to June 2023, according to Zoopla, the highest increase outside London.⁵ Landlord interests argue that this reflects a scarcity of lettings as landlords exit the market, whilst some tenant groups interpret this as being a loophole that should be closed.

The key test will come with a long-anticipated Housing Bill, which will feature the promised national system of rent controls – something the SOLACE report suggests should be postponed 'until such time as we have better data and more clarity about the role of the PRS'. Given the political salience of the issue this seems improbable.

References

- 1 Scottish Fiscal Commission (2023) *Scotland's Economic and Fiscal Forecasts*. Edinburgh: SFC.
- 2 Scottish Government (2023) *2nd Proposed Extension of the Cost of Living (Tenant Protection) (Scotland) Act 2022: Statement of Reasons*. Edinburgh: Scottish Government.
- 3 Propertymark (2023) *The Cost of Living (Tenant Protection) (Scotland): Letting Agent Insight, April* (www.propertymark.co.uk/static/ed740662-664d-4189-beeb77ce59a82063/Cost-of-Living-Tenant-Protection-Scotland-April-2023.pdf).
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- 5 Zoopla (2023) *Rental Market Report, June* (www.zoopla.co.uk/discover/property-news/rental-market-report/).

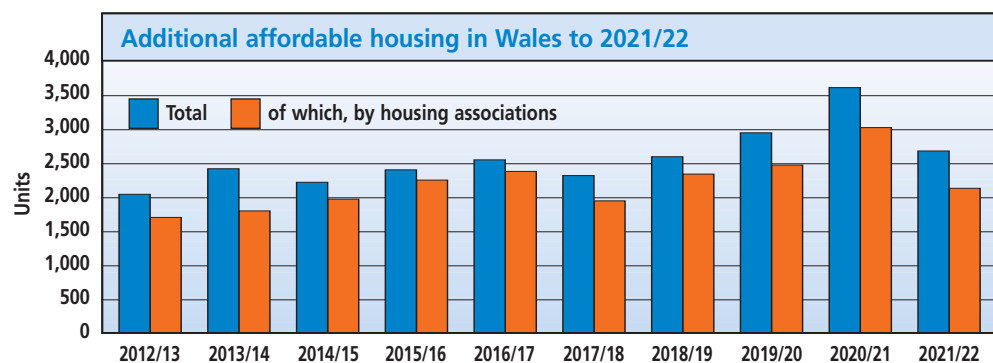
If the Welsh article in last year’s Autumn Briefing Paper was entitled ‘Reality Bites’, looking at the impact of the tough operating environment in Wales, then this year’s mood in the Welsh housing sector would be best captured by a simple reworking of the title to ‘Reality Bites Hard’.

This year, the first minister, Mark Drakeford, tasked his ministers to spend their summer break looking at what they could cut from their budgets, announcing that the value of the block grant would be worth almost £1 billion less than it was at the start of the Spending Review round in 2021, as a result of the Westminster government’s March Budget.

At the time of writing, social housing providers in Wales are bracing themselves for bad news on the likely impact on the revenue streams that support key services to tenants – all a time when landlords are already absorbing real-terms cuts to programmes such as the Housing Support Grant.

Capital programmes such as Social Housing Grant (SHG), worth almost £1 billion over the three-year Budget cycle, will remain but they are worth less now due to inflationary pressures. Furthermore, the ability of social landlords to develop at the pace and scale needed to meet the Welsh Government’s target of 20,000 new low-carbon homes at social rents during this current Senedd term are being hampered by the same pressures faced by the housing sector elsewhere. These include supply chain pressures, inflation, labour shortages and planning barriers (including logjams in planning approvals due to under-resourced local authority planning teams).

Consequently, output of affordable homes in Wales fell from 3,603 in 2020/21 to 2,676 in 2021/22 (see chart). This includes a drop in completions of social rented housing from 2,433 in 2020/21 to 1,712 in 2021/22. The latest Welsh Government figures indicate that only 1,203 homes were completed by housing associations and local authorities combined in 2022/23,¹ but these construction statistics typically understate delivery of affordable housing, so the real picture awaits the fuller reports from social landlords



Source: Affordable Housing Provision data collection, Welsh Government.

which will later provide better data for 2022/23. Recently, both Cardiff and Carmarthenshire were noted as councils having ambitious building programmes (1,500 and 700 homes respectively over the next five years).²

There has been some flexing of the commitment to 20,000 ‘new homes’, with an increased focus on bringing empty properties back into use through the Transitional Accommodation Capital Programme which has been allocated £65 million (partly top-sliced from SHG). This aims to bring 1,000 properties into use within 18 months. However, the overall target of 20,000 new homes remains a red line for the minister in terms of the ambition set out in both the Programme of Government and the Cooperation Agreement with Plaid Cymru.

On the private sector front, 4,391 homes were completed in 2021/22, a 29 per cent increase on the previous year but just shy of pre-pandemic figures. Construction statistics show 4,582 private sector completions in 2022/23, a modest rise of four per cent.

Another red line for the minister in terms of her expectations from social landlords, is the ambition to make social housing in Wales greener and more energy-efficient through the next iteration of the Welsh Housing Quality Standard (WHQS 2023). Social landlords were resolute in their response to the consultations on WHQS 2023, that raising all the stock to an EPC A rating by 2033 was unachievable within the current operating and funding environment.

As this Autumn Briefing Paper went to print, social landlords were awaiting publication of the new standard with the expectation that the target would be softened slightly following negotiations.

But it is not just development, revenue funding and decarbonisation targets that have been occupying the minds of housing professionals in Wales. Consultation on a green paper on the incorporation of a ‘right to adequate housing’ into Welsh law, which would include rent controls in the private sector, closed at the end of September.³ A white paper is expected early next year.

And, just in time to be noted here, the report of an Expert Review Panel on Homelessness, chaired by Professor Suzanne Fitzpatrick, was published.⁴ It calls for support for people facing homelessness to be more inclusive and trauma-informed, and for support to be provided much earlier so that homelessness can be better prevented. It also recommends a role for wider public sector organisations in helping to identify those at risk of homelessness. This report will inform a further White Paper.

References

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- 2 See www.insidehousing.co.uk/insight/biggest-council-house-builders-2023-82903
- 3 See www.gov.wales/written-statement-launch-green-paper-call-evidence-housing-adequacy-and-fair-rents
- 4 See www.crisis.org.uk/about-us/media-centre/expert-panel-calls-for-ground-breaking-changes-to-law-to-help-end-homelessness-in-wales/

The poor weather in August mirrored an increasingly pessimistic outlook for the return of a functioning Northern Ireland Assembly. Following its collapse in February 2022, Northern Ireland has again been without a housing minister, with inevitable consequences given a very constrained government funding environment.

In April, the Secretary of State announced Northern Ireland’s 2023/24 Budget. In all, departments were to receive £14.2 billion for resource spending and £2.1 billion for capital. In monetary terms, this is an overall reduction of 0.4 per cent compared with 2022/23. However, in real terms it represents a substantial cut in Westminster’s financial support.

The Department for Communities, however, suffered an even bigger cut to its 2023/24 budget: shortfalls of 15.5 per cent and 27.3 per cent in funding anticipated for resource spending and capital respectively. In the final budget allocations announced in June, there was a significant cut in funding for social housing: only 1,470 new dwellings will be started in 2023/24, against a target of 2,000. On a more positive note, funding for Supporting People is to be kept at 2021/22 levels and funding for homelessness interventions is increased by £2 million (eight per cent).

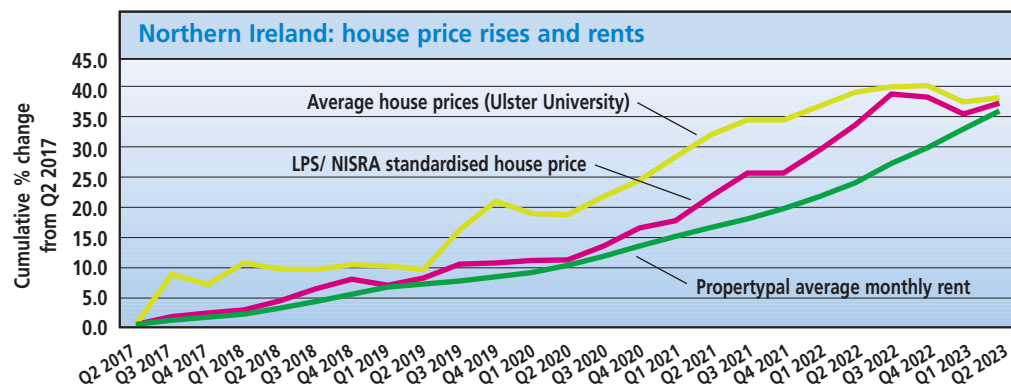
It is, however, important not to overestimate the positive impact that the return of a functioning assembly and government would have. Northern Ireland’s housing system has certain distinctiveness within the UK due to the interplay of history, politics and geography. However, the headwinds that have hindered attempts to rebalance the UK’s ‘broken’ housing market since the global financial crisis apply at least equally to Northern Ireland. Over the last year, in particular, the combination of a cost-of-living crisis, incomes (especially in the public sector) lagging significantly behind inflation and 14 successive increases in the Bank of England’s base rate has arguably hit Northern Ireland hardest, given its disproportionately high number of low-income households.

As expected, there has been a dampening effect on Northern Ireland house prices. Overall, between Q2 2017 and Q2 2023, prices rose by approximately 37 per cent (see chart) and although both leading house price indices for Northern Ireland actually show slight increases for Q2 2023,¹ in both cases these follow decreases in the previous quarter. A downward drift in house prices for the rest of the year might be anticipated, given ongoing economic and fiscal constraints. However, the most recent standardised house price for NI (£271,161) is still almost one fifth lower than at its peak in 2007. Provisional figures also show a significant drop in the number of house sales, suggesting that any fall in prices is likely to be modest. While this will have a positive impact on the relationship between incomes and house prices, it is far outweighed by the extra costs of servicing mortgages.

The harsher economic and fiscal environment has also hit the supply of new private housing. In the first six months of 2023, completions (at 2,356 homes) were almost 20 per cent below the comparable period for 2022, while starts fell even further. The undersupply in the private sector together with a shortage of social housing and rising interest rates (which have added to many landlords’ debt servicing costs), exert upward pressure on private rents. The most recent quarterly report from Propertypal, NI’s leading property website, shows that in Q2 2023 average rents were 2.4 per cent higher than in the previous quarter, and 9.7 per cent higher than in Q2 2022. Rents are increasing more quickly than was typical in the decade prior to the pandemic.² The chart shows the accelerating trajectory of increasing rents, with a cumulative increase of 35 per cent between Q2 2017 and Q2 2023: a rate of increase similar to the one for house prices.

However, the greatest pressures are in the social sector. The waiting list for social housing has risen rapidly over the last five years and in March 2023 there were over 45,000 on it. Of these, 32,633 were in ‘housing stress’ – up 35 per cent compared to 2018. The number of applicants accepted as homeless has fallen compared to five years ago, but the number and proportion of these accepted on the basis of loss of (private) rented accommodation is up (almost one fifth are accepted for this reason).³

Northern Ireland’s housing system is experiencing a deepening crisis. The return of a functioning assembly and government would help mitigate this by allowing more rapid progress to be made in implementing the well-supported Housing Supply Strategy (published in draft in November 2021). However, addressing longer-term structural weaknesses will still require substantial injections of public and private investment over a sustained period – a feature common to all parts of the UK.



Source: Ulster University and LPS/NISRA house price indices; Propertypal.

References

- 1 The indices use different methodologies. The official ONS-approved index (latest increase 1.4 per cent) uses a standardised price based on a hedonic methodology: www.finance-ni.gov.uk/publications/ni-house-price-index-statistical-reports. The University of Ulster index (latest increase 0.7 per cent) uses a mix-adjusted weighted average: www.ulster.ac.uk/news/2023/august/latest-house-price-index
- 2 See <https://content.propertypal.com/northern-ireland-housing-market-update-q2-2023/>
- 3 See www.communities-ni.gov.uk/publications/northern-ireland-housing-bulletin-january-march-2023

Alongside the preparation of the Briefing Paper, a significant proportion of the Compendium of Tables in the main *Review* has been updated. The revised tables are listed below.

The new versions can be seen and downloaded at the *Review's* website, www.ukhousingreview.org.uk

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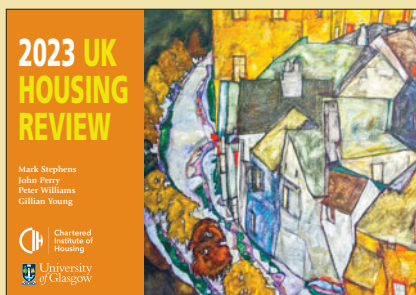
The **UK Housing Review** published each year provides a key resource for managers and policymakers across the public and private housing sectors. It is now in its 31st year.

The **UK Housing Review 2023** Autumn Briefing Paper updates key issues and data from this year's full **Review**, focusing on these themes:

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- *Housing wealth and its distribution*
- *Housing and politics in the run-up to the general election*
- *The housing market and first-time buyers*
- *Shared ownership, leasehold and short-term lets*
- *Damp, mould, safety and energy use in the social housing stock*
- *Supported housing and accommodation for refugees and asylum seekers*
- *Evidence from the 2021 Census*

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

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