

Briefing Paper

A Housing Strategy for England 2012

February 2012

Introduction

The Government published their housing strategy for England in November 2011. This states that 'one of the most important things each generation can do for the next is to build high quality homes that will stand the test of time'. They go on to tell us that for decades in Britain we have under-built.

By the time the current Government came to office, house building rates had reached lows not seen in peace-time since the 1920s. The economic and social consequences of this failure have affected millions: costing jobs; forcing growing families to live in cramped conditions; leaving young people without much hope that they will ever own a home of their own.

The new housing strategy papers go on to tell us that these problems that have been entrenched over decades, have deepened over the past few years. The housing market is one of the biggest victims of the credit crunch: lenders won't lend, so builders can't build and buyers can't buy. That lack of confidence is visible in derelict building sites and endless 'For Sale' signs. It is doing huge damage to the United Kingdom economy and our society, so it is right for government to step in and take bold action to unblock the market. That action is detailed in the Housing Strategy.

The government tell us that a new mortgage indemnity scheme will give help to tens of thousands of buyers currently frozen out of the market. Local authorities will be invited to come forward with proposals for locally planned large scale development. There will also be a new £400million funding pot to kick-start construction where it has stalled. Cash rewards will incentivise councils to bring empty homes back into use. A new deal on housing for older people will help them to adapt their homes and stay independent should they wish to. The new strategy hopes to provide help to people and communities who want to design and build their own homes, and to improve fairness in council housing by increasing rents for the most well-off, recycling the income into new housing.

The government considers that: 'This is a radical and unashamedly ambitious strategy'. The opening summary of the new strategy paper identifies two main aims;

- First, to help drive local economies and create jobs. Unblocking the market will provide a much-needed boost to employment.
- Second, these plans are designed to spread opportunity in our society. For too long, millions have been locked out of home ownership.

The government say that they want to build an economy that works for everyone; one in that people who work hard and play by the rules can expect to own a decent home of their own.

With this strategy, the government hopes to unlock the housing market, get Britain building again, and give many more people the satisfaction and security that comes from stepping over their own threshold. The government says that these plans are ambitious – but they are determined to deliver on them.

‘Housing: the need for a new approach’

The Government tells us that a fair society is an open society in which every individual is free to succeed. Improving social mobility; helping everyone to enjoy that freedom to succeed; is the principal aim of the Government’s social policy and to achieve this aim, they say it is important that they recognise the fundamentally important role that housing can play in supporting social mobility.

People will want and need different things from housing throughout their lives. But there are common threads. People need to find housing in the right place, enabling them to find work, to maintain contacts with friends and family, and often to provide care. Housing needs to be suitable for the size and shape of the household – with space for children, or good accessibility in older age. And housing can be a source of wealth – opening opportunities at critical life stages, such as helping children with their education or into home ownership in their own right.

The Government says that when these essential elements are not provided, housing can act as a brake on rather than as an engine of social mobility. Unfortunately, in recent years the government says this has too often been the reality. By looking at four broad categories of households they demonstrate their view of how the current housing market is failing to help people to meet their aspiration of improving affordability. The government believes this is crucial for aspiring homeowners as seventy% of these households are living in the private rented sector. Privately rented housing can support social mobility by enabling people to move quickly to take up new job and training opportunities, and to live in areas where they could not afford to buy.

The private rented sector has grown rapidly in recent years and there are now 3.4million households privately renting, and 30% of them have children. 85% of private renters are satisfied with their accommodation, but some poor quality rented housing remains.

At the same time, rents are rising in many areas, making it more difficult to save. Access to ownership for this group has become increasingly difficult: median house prices are now seven times median earnings, compared with three and a half times in the mid-1990s. Home ownership is becoming increasingly restricted to those with high incomes, or those who receive assistance from family or friends. The proportion of first time buyers aged under thirty requiring financial assistance rose from 36% in 2005 to 77% in 2010.

Younger recent homeowners, many of whom are young families, are finding it harder to ‘trade up’ as their families grow. Over 800,000 households are currently estimated to be in negative equity. Half of all households in England are older ‘established homeowners’. Some 42% are retired and 66% own their own home outright. As life expectancy increases, more of these households will need support to remain in their homes in later life. Limited choice in the housing market makes it difficult for older households to find homes that fully meet their needs.

Some households will remain lifelong renters, often by choice especially in the social rented sector. Demand for social housing has increased significantly, and the stock that is available is not being well used: there is widespread overcrowding and under occupation and tens of thousands of properties are occupied by people who the government considers ought not to be there. Moreover the government tell us that, mobility in social housing has become increasingly difficult, and there is evidence to suggest that even after adjusting for other factors such as single parent or disability status social housing tenants are less likely to be in employment than similar individuals in other tenures.

‘Growth and jobs’

Alongside the immediate constraints on social mobility that households experience as a result of failures in the housing market, further impacts arise through missed opportunities for economic activity. Lower housing supply means lower growth and fewer jobs. It is this lack of job opportunities that the government tells us represents a failure to support social mobility.

The government considers that a freer, more responsive housing market could play a major role in delivering economic growth with housing construction, repairs and maintenance having a direct impact on economic output, accounting for an average 3% of Gross Domestic Product in the last decade. Boosting housing output to pre-recession levels could make a real difference to economic growth in the short term. Total construction output and jobs have suffered during the recession, with the decline accounting for a fifth of the 7.1% decline in Gross Domestic Product from peak to trough on the most recent Office for National Statistics estimates. This has created considerable spare capacity in the house building industry. By implication, restoring house building to pre-recession levels would add to economic growth and create jobs, without creating inflation.

Housing construction also supports more jobs compared with investment in many other sectors of the economy, because it supports a large amount of related activity such as concrete production, and glass and brick manufacturing. Every £1million of new house building output supports 12 net jobs (seven direct and five indirect) for a year. Builders of new affordable homes also provide apprenticeships.

A well-functioning housing market is vital to the United Kingdom’s competitiveness and attractiveness to business that would drive the economic growth the country needs. The availability of housing in the right places would mean an appropriate supply of workers to firms where they are needed the most in areas of high economic growth and high labour demand.

‘A new approach’

The Government considers that the need for a new approach is clear and apparent. To continue with the current system would be to condemn ever greater numbers of families to not meeting their aims of home ownership; and to miss out on the economic growth, and jobs, that the country needs.

In their view, the new approach the government is taking marks a decisive break with the 'failed policies' of the previous Government. Instead of seeking to drive housing outcomes through central planning, top-down targets and bureaucratic structures, the Government is supporting individual aspiration. The government tell us that it will respect the freedom of families, neighbourhoods and local communities to make their own decisions about the housing that is needed, and where it should be built.

They go on to say that they will work with the grain of the market encouraging lenders sensibly to give buying power to those willing and able to support home ownership, and allowing house builders to respond better to demand. With a more creative use of incentives, the government believes that it could help people to take decisions for the collective good of their communities. The Government believes that imposing central targets has plainly not worked in the past as communities; predictably; resented being bullied into decisions despite the fact that most communities recognise the need for more housing.

The government say that it will ensure that local communities have the right powers and opportunities to plan and to influence the quality and design of housing in their area. It is said that this does not require great volumes of guidance and instruction simply a more rational distribution of power at the local level and the government say that it will continue to challenge the established complacent consensus around social housing, that in their view has contributed to an inefficient system in that many social housing tenants cannot easily progress in their lives, while many thousands of households in need are excluded from the help that social housing could bring.

'More homes, stable growth'

The supply of housing has failed to keep pace with demand over the last 15 years. Fuelled by unsustainable lending, but with ineffective policies to boost supply, prices have been volatile.

The government tell us that new measures are needed, to provide an immediate impact on the housing market as follows:

- A new and innovative new build indemnity scheme led by the Home Builders Federation and Council of Mortgage Lenders to provide up to 95% loan to value mortgages for new build properties in England, backed by a house builder indemnity fund.
- Helping first time buyers through First Buy
- Releasing public sector land with the capacity for up to 100,000 new homes
- Launching a new £400million Get Britain Building investment fund, that will support firms in need of development finance. This will help to unlock progress on stalled sites that have planning permission and are otherwise shovel ready
- Consulting on proposals to allow developers to require local authorities to reconsider those S106 agreements agreed in more prosperous market conditions prior to April 2010
- Funding essential new infrastructure

The government say that they will bring much needed strategic reform to the way in that housing is planned and funded through:

- Supporting locally planned large scale development

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- Planning reforms – giving communities more control over new housing, including through the Community Right to Build
- Powerful financial incentives – through the New Homes Bonus – to allow communities to experience the benefits of additional housing
- Stronger support for Custom Home Building, including making available up to £30million of new funding to support provision of short-term project finance on a repayable basis
- Proportionate and cost-effective regulation
- Supporting the housing market through economic and financial stability measures
- Sound economic management, providing the context for stability and low interest rates

The government also tell us that the number of households is set to keep on rising in the years to come. Currently, the number of households in England is projected to grow to 27.5million in 2033, an increase of 5.8million (27%) over 2008, or 232,000 households per year.

International migration contributes around 40% towards this projected increase in households. Government has committed to reduce net migration from the current hundreds of thousands to tens of thousands per year. The government tell us that they have already introduced a series of measures in relation to migrant workers and students, including a limit on the number of skilled workers, and will introduce measures on settlement and family later this year.

The government has states that the United Kingdom population is ageing fast. Of projected growth in households to 2033, 60% is made up of households aged 65 years and older. If the housing market were working well, strong and sustained demand for housing would prompt a steady increase in supply. However, this has not been the experience of recent decades. House prices in recent decades have been highly volatile, featuring four periods of rapid growth followed by extended downturns and two price falls since the 1970s.

While rapidly rising house prices have seen homeowners' wealth increase, it has locked first time buyers out of the market. Price rises have required a greater proportion of households' income to access the market or to 'trade up' and, with wide availability of credit up until the credit crunch, price rises encouraged greater levels of debt.

During periods of price falls, recent homeowners, particularly those with a large mortgage or with an interest-only mortgage, become susceptible to negative equity. Over 800,000 households are currently estimated to be in negative equity that, as well as being a worry for many families prevents them moving for work and makes them more susceptible to repossession if their income falls. Economic stability would give buyers confidence that interest rates would remain stable in the long run, making the affordability of a mortgage more straightforward to assess. This too would encourage confidence among buyers over the medium term.

The government considers that house builders also suffer from house price volatility since land prices are highly influenced by changes in house prices. Builders who bought land at peak prices cannot currently build on it without making a loss. As a result, the success of house building businesses has not necessarily been based on their ability to innovate or the efficiency of their business, but on their ability to predict house price changes and the rise and fall of land prices.

Over the past fifteen years, the supply of housing has consistently fallen short of existing demands. In 2009/10, there were 115,000 new build housing completions in England. Over the last ten years, the United Kingdom has seen an average of only 162,000 net additions to the housing stock per year. Alongside easy access to credit, this has contributed to steep rises in house prices across the country, well ahead of earnings. Average house prices have almost doubled from £114,000 in 2000 to £216,000 in 2010, intensifying longstanding problems of affordability and creating a significant backlog of unmet demand for homeownership, with 2.9million households currently renting but aspiring to own their own home.

New homes are not necessarily being built in areas where they are needed most. As a result, affordability has deteriorated more rapidly in some parts of the country than others. London, the South East and many rural towns and villages are facing particular pressures, although averages mask local pressure points.

These affordability issues, alongside general trends to settle down later, mean that young people are increasingly renting for longer, buying their home later in life and tend to be much more reliant on family support to do so. The average age of a first time buyer has been on a general upward trend, from 26 in the mid-1970s to 30 and above since 2000.

These trends have been exacerbated in recent years in the wake of the credit crunch. A rapid contraction of lending, both to aspiring homeowners and to house builders, has resulted in the housing market seizing up, with the current number of housing transactions taking place in the United Kingdom around 70,000 per month, a third lower than the average since 2005 of 100,000.

The government tell us that communities have sometimes not supported new development, feeling that housing was being forced upon them with little consideration of the consequences for the quality of the local area or services. For example, recent evidence shows that 46% of people oppose more homes being built in their local area. However, more than three out of four adults in England (76%) would support more houses being built in their local area if the quality of local services such as GP surgeries, hospitals and schools did not suffer.

Because of this the government states that the United Kingdom currently has a housing market that is failing to deliver the homes that people need, in the places they wish to live – with serious consequences for social mobility, for jobs and for growth. The reasons for this failure can partly be traced to recent financial turmoil and to the credit crunch. But it would be a mistake to believe that recent difficulties alone are responsible for long-term failings in the United Kingdom housing market. It is clear that these failings are deep-rooted, and that they are related not simply to the way in that the United Kingdom has planned and paid for new homes but also to wider policies for managing the economy.

The government go on to tell us that their new strategy can correct these issues. First, the government tells us there is an immediate need for action to get the housing market moving. The government tells us that there is a need for bold and decisive measures that will deliver thousands of new homes in the lifetime of this Parliament. And going beyond these immediate measures, the government say that they need to make long-term, strategic changes to the way in that we plan for housing. It is also said that the United Kingdom needs to end centralised attempts to dictate housing numbers – attempts that have clearly failed to deliver.

In their place, the government say that they need a system that is driven by the demands and aspirations of local communities and that can provide the long-term certainty that both communities and house builders need.

‘Community Right to Build’

The new Housing Strategy for England says that for too long, the Government has intervened in areas where communities themselves are best placed to decide what is best for them. That is why the Localism Act introduces a new Community Right to Build. This will give communities a new way to deliver the development they want – be it homes, shops, businesses or facilities – where the benefits of the development will be retained by the community for the community. If they want, communities will be able to build family homes to sell, affordable housing for rent, sheltered housing for older local residents, or low-cost starter homes for young local families struggling to get on the housing ladder. The development will need to meet some basic conditions and have the agreement of local people through a community referendum.

The Community Right to Build may be used in rural and urban areas, but will be particularly valuable to rural communities. The Government say that it will make sure that there are sources of support and guidance for communities so that they can use the new right. The new right includes additional mechanisms that will help community organisations ensure that properties continue to be used for the benefit of the community. As such, government believes that many Community Land Trusts will want to use this new right to retain affordable housing for the community.

Community groups, including Community Land Trusts, can seek an Affordable Housing Grant, a portion of that has been held back specifically to support their development needs. In the past, concerns have been expressed that the information requirements to obtain a grant have been disproportionate. The Homes & Communities Agency has published a series of short guidance notes that provide advice on how to gain access to funding, with a more proportionate approach to bidding for funds. And the Homes & Communities Agency has also provided advice on a more proportionate route for registering as a landlord.

‘Simpler, more effective planning’

The new housing strategy tells us that as part of the Government’s commitment to reducing bureaucracy, they are streamlining and simplifying the planning system. The government say that to create a planning system to support delivery of the sustainable development that the country needs a system that is; in the right place, at the right time, and to the right standards, while protecting and enhancing the natural and historic environment for future generations.

The government say that it is aiming to condense over 1,000 pages of planning policy into around 50 pages of transparent and clear national policy. The government published a draft of the National Planning Policy Framework for consultation on 25 July 2011. The draft Framework reflects the imperative for councils to be ambitious in delivering the much-needed new homes for their communities.

‘AWICS’ has published a briefing paper on the draft National Planning Policy framework that can be freely downloaded from:

http://www.awics.co.uk/documents/briefing_papers/public_administration/Draft_National_Planning_Policy_Framework_28-10-2011.pdf

The draft Framework makes clear that councils should have a robust understanding of housing requirements in their area, and that they should produce local plans, in consultation with people in the local area. Local plans must support delivery of market and affordable housing to meet the needs of their area, unless this would compromise key sustainable development principles in the draft Framework. The draft Framework asks local councils to plan for a mix of housing based on current and future demographic trends and the needs of different groups in the community, including older and disabled people.

The government aims to ensure that local authorities identify a robust land supply. The draft Framework sets out strong expectations that councils should maintain a robust rolling supply of deliverable sites to meet their housing needs for the next five years, ensuring that there is choice and competition in the land market. It will be important to deliver the level of house building that the country needs safely and without exposing people to unnecessary flood risk.

The draft Framework introduces a 'presumption in favour of sustainable development', that is intended to have a positive influence on housing supply both through local plan-making and the determination of applications. The presumption requires local planning authorities to plan positively for the needs of their area, while safeguarding those things that require protection, such as the natural environment or historic areas. Where plans are not in place or up-to-date, development should be allowed unless this would compromise the key sustainable development principles in the draft National Planning Policy Framework.

The draft Framework also recognises the particular challenges faced by some rural communities and suggests that in rural areas local planning authorities should consider whether allowing some market housing would facilitate the provision of significant affordable housing to meet local needs. The government tell us that they are considering what more can be done to support the rural economy through the second stage of the Growth Review.

The government also tell us that they are removing arbitrary targets that got in the way of delivering the right homes in the right places. Through the draft Framework the government proposes to move away from an imposed national target for development on previously developed (brownfield) land, that helped to drive up land prices leading to a focus on high density, unpopular development. Instead the draft Framework encourages the use of land with the least environmental or amenity value, that includes brownfield sites, while also allowing restored green space that was once in industrial use – such as urban nature reserves – to be protected. Where significant development of agricultural land is necessary, the draft Framework asks local councils to use areas of poorer quality in preference to higher quality land.

'Strategy for empty homes'

The government tell us that they are committed to bringing empty homes back into use, as a sustainable way of increasing the overall supply of housing and reducing the negative impact that neglected empty homes can have on communities.

That is why the government say they are:

- Awarding the New Homes Bonus to empty homes brought back into use providing information and practical advice to local authorities and communities to help them address empty homes investing £100million funding to bring problematic empty homes back into use and announcing £50million of further funding to tackle some of the worst concentrations of empty homes
- Consulting on options to levy an 'empty homes premium' on the Council Tax payable
- Proposing changes to Empty Dwelling Management Orders to target their use on the very worst long-term empty homes causing a nuisance to the community.

Figures suggest that over 700,000 homes in England are empty, and over 300,000 of those have been empty for over six months. Many empty homes are being renovated or sold, or will otherwise come back into use relatively quickly through the normal operation of the market.

A neglected empty home can quickly start to cause problems for neighbours, depressing the value of adjacent properties and attracting nuisance, squatting and criminal activity. This creates additional burdens on local authorities and the emergency services.

The reasons homes are left empty are often complex and can include inheritance, the cost of financing repairs, inability to achieve a desired sale or rental price, and stalled redevelopment or a decision to retain the property to benefit from house price increases. The impact of empty homes is, however, felt very directly by the people living closest to them, so tackling empty homes is best achieved by locally led interventions.

‘The Government’s role in tackling empty homes’

The Government wants to increase the number of empty homes that are brought back into use as a sustainable way of increasing the overall supply of housing, and reduce blight on neighbourhoods. This means putting in place the right incentives and levers, both practical and financial, to support local authorities, housing providers and community and voluntary groups.

The government tell us that empty homes brought back into use will qualify for the New Homes Bonus. The government says that it is match funding the Council Tax on long-term empty properties brought back into use for the following six years, using the national average in each band, with an additional amount being provided for those brought back into use as new affordable homes. The New Homes Bonus was introduced in April 2011 and is already proving to be effective in encouraging more local authorities to tackle empty homes in their area.

Conclusions

It is well known that housing should provide a secure foundation for individuals to live the lives they want to live. Finding the right home, in the right place, can be an essential platform for people seeking to support their families and sustain work.

Housing is an increasingly important asset: families can draw on the wealth stored in housing to open up new opportunities – such as education, or helping the next generation to secure their own homes.

But too many families struggle to meet their housing needs. It has become too difficult for many households who wish to be homeowners to secure the mortgage they require. Many households face rising rents, social housing is not always providing the right support to the people who need it most and the slow pace of new housing supply means that England is missing out on economic growth and on jobs.

Previous housing policies have failed. The new housing strategy released by the government represents a new approach – one that respects local communities and gives them a greater say over decisions on new housing.

The government calls this; ‘an approach that works with, not against, the grain of the market’. This is seen to be one that seeks to provide the stable, long-term increase in housing supply that the country needs.

A full copy of the Housing Strategy can be downloaded from the Communities & Local Government website at:
<http://www.communities.gov.uk/publications/housing/housingstrategy2011>

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