2021 UK HOUSING REVIEW

Autumn Briefing Paper

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

Chartered Institute of Housing

University of Glasgow

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UK Housing Review Briefing Paper 2021

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Introduction

The *UK Housing Review*, which is published annually each Spring, has reached its 29th edition since it first appeared in 1993. This Autumn Briefing Paper is now the 12th in a series, complementing the main *Review*.

This year's Briefing Paper again focuses partly on the effects of the Covid-19 pandemic but also covers a range of other pressing issues, addressing some of the main areas of change and policy development since the full *UK Housing Review 2021* was published in March.

Not only the state of the economy, but developments in the housing market, approaches to public investment in housing, reform of the planning system in England and post-pandemic policy on benefits across the UK are all in flux. New housing investment plans have begun after the hiatus caused by the pandemic lockdowns, but pressing issues of how to achieve zero carbon in housing and tackle problems of fire safety are still at the fore.

A more detailed analysis of policy developments should be possible in the *UK Housing Review 2022* which will be published next Spring, not least because this will follow the UK government's forthcoming Spending Review.

Both the main *Review* and the Briefing Paper aim to give detailed consideration to each part of the UK. Drawing on the latest statistics, the Briefing assesses the implications of new policy and market developments in thirteen different topic areas, several of which are UK-wide. Three dedicated pages also cover some of the specific policy developments in the devolved administrations.

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

The housing market emerges from the pandemic

At the onset of the pandemic, the likelihood of house prices surging ahead during and after the pandemic seemed unlikely. However, as three articles make clear, not only have prices risen and transactions recovered, but from an overall perspective any effects on the housing market appear to have been temporary. This is undoubtedly due in part to the stamp duty holidays, which now appear to have been not only unnecessary to prevent a market collapse, but were probably also a stimulus too far. Certainly the position of first-time buyers looks worse than before, and the beneficiaries of rising prices have again been existing owners. Nevertheless, while more political attention is being paid to the taxation issues around homeownership, radical change still looks an unlikely prospect.

Affordable housing investment gears up after the effects of lockdowns

Three out of the four UK governments started new rounds of their affordable housing investment programmes in April 2021, with only Northern Ireland being out of step in now facing elections in 2022. We look at the shape of the current programmes, noting that provision for new social rented homes is much stronger in the devolved administrations than it is in England. We also look at the early evidence of how the pandemic has affected delivery of new housing. A particular key issue is investment in achieving a zero-carbon economy, and we consider what provision is being made in the face of the growing climate crisis and in anticipation of the COP26 conference in Glasgow in November. We also consider the competing claims of fire safety work in the existing housing stock, where urgent investment requirements are constraining some social landlords' ability to invest sufficiently in both new build and retrofitting stock to achieve carbon targets.

Homelessness, rough sleeping and access to housing and benefits

This year's Briefing Paper examines four issues under this broad heading. First, it considers what action is being taken across the UK to avoid evictions due to rent arrears, and the risk that action may be insufficient as the support mechanisms that have been put in place come to an end. Second, the paper looks at how dependency on universal credit and housing benefit increased during the pandemic, and what this means for the immediate future. Third, a snapshot view is taken of Scotland's response to homelessness and rough sleeping during the crisis. And finally, the paper looks at the latest evidence on how many people are left outside the benefits system and are denied access to social housing, because of immigration rules.

Other key issues

Planning reform in England remains a live issue, very much in flux because of political controversy about its effects, and the paper summarises the current position (as we go to press). Another live political issue is the government's 'levelling-up' agenda, and we consider its possible implications for housing.

In April next year the *UK Housing Review 2022* will aim to provide a considered appraisal of the Westminster government's latest housing and welfare policy changes, and will also, of course, include fresh assessments of policy developments in Scotland, Wales and Northern Ireland.

With a wider range of contributors to this year's Briefing Paper alongside the *Review's* normal team of authors, for this edition we owe special thanks to Hannah Keilloh, Matt Kennedy, Sam Lister and Heather Wilson of CIH, Bob Pannell who is an independent consultant, Brian Robson of the Northern Housing Consortium, Tom Simcock of Edge Hill University and Beth Watts of Heriot-Watt University.

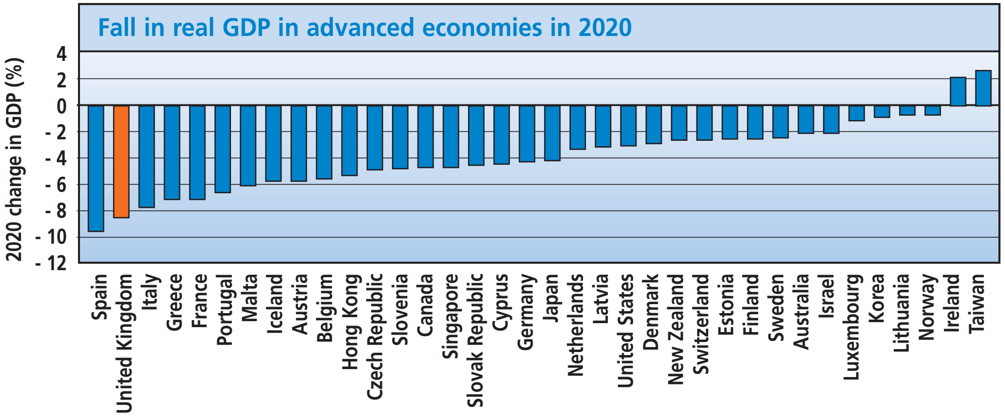
John Perry, Mark Stephens, Peter Williams and Gillian Young

October 2021

Economic prospects

Mark Stephens

The loss of output arising from the pandemic has been much greater even than resulted from the global financial crisis (GFC). Across the world, output fell by some three per cent in 2020, compared to just 0.1 per cent from the GFC. Overall, in 2020, UK output shrank by ten per cent, one of the largest falls in any advanced economy (see chart). However, as the Office of Budgetary Responsibility (OBR) notes in its Fiscal Risks Report, economic recovery has been much faster this time. It took the UK economy 4½ years before output returned to pre-GFC levels, whereas the OBR expects pre-pandemic output levels to be reached by mid-2022 – just over two years from the first lockdown.



Source: IMF, ONS. Note: Based on IMF definition of advanced economies.

Nonetheless, the pandemic's economic impacts will continue far beyond 2022. Economists observe that such shocks tend to have 'scarring effects', leading to a permanent loss of output potential. Further, although Brexit has already reduced trade with the EU, its full impact will be longer-term, as trade deals are unlikely to compensate fully for the reduced access to the largest trading bloc.

The pandemic also presents short-term and longer-term dilemmas in managing government debt. The Treasury's fiscal stimulus was ten times greater than in 2009 and one of the largest internationally. The OBR expects current borrowing to peak at 16.9 per cent of GDP in 2020/21, and for net debt to peak at 108.6 per cent of GDP in 2023/24.

Despite its scale, low interest rates make the deficit eminently affordable: government debt at 40 per cent of GDP in 1980/81 cost 3.8 per cent of GDP to service, but today's debt exceeding 100 per cent of GDP costs just 0.9 per cent to service. There is currently no plausible threat of a sovereign debt crisis (as was used by the Coalition to introduce its austerity programme after 2010) even though, for technical reasons, the debt is more sensitive to interest-rate rises than before the pandemic.

Given that the Chancellor aims to balance the budget by the mid-2020s, the coming spending review assumes great importance. Overall expenditure will remain high due to 'legacy' costs of Covid-19, including expenditure on health (test and trace, vaccinations and postponed operations), education (catching-up costs) and transport (e.g. lost ticket revenues). The OBR also notes the considerable cost to achieve 'net zero carbon' by 2050, although carbon taxes could help to finance this.

Consequently, there is likely to be downward pressure on departmental spending. The cut to the overseas aid budget and planned reversal of the £20 per week enhancement of universal credit, can both be seen as precursors to tough negotiations with spending departments. The OBR notes that departmental spending plans make no provision for virus-related spending beyond 2021/22, and current plans for 2022/23 are some £14.5 billion lower than pre-pandemic plans. Put bluntly, if the Chancellor sticks to his aim of a balanced budget, taxes will have to rise or spending be scaled back.

There are also important questions concerning the operation of monetary policy as the economy recovers. The impact of the GFC and the pandemic have shifted the nature of monetary policy, with the adoption of quantitative easing blurring the boundaries between monetary and fiscal policy, with greater emphasis on economic growth compared with containing inflation. The European Central Bank has recently abandoned the deflationary bias associated with its asymmetric inflation target, and the US Federal Reserve is adopting an average inflation target, again reflecting growth objectives.

The Bank of England's tolerance of higher rates of inflation is likely to be tested soon. UK annual inflation rose to 3.0 per cent in August, up from 2.1% in July. Some increase can be expected due to 'bounce back' effects of the re-opening economy, but the Bank of England currently regards these as being transitory.

However, some economists believe that we might be witnessing a return to structurally higher levels of inflation as the effects of globalisation level out or are partially reversed, labour markets become tighter due to an ageing workforce, and inflationary expectations take hold. In the UK, the disruption to labour and other supplies caused by Brexit is a further inflationary factor.

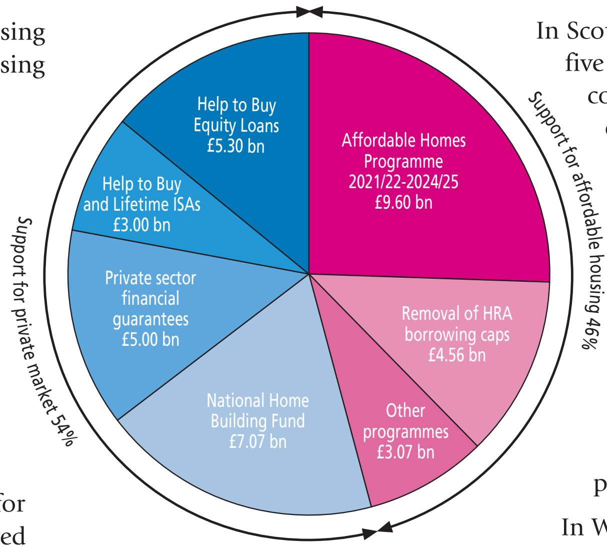
Whilst higher inflation would undoubtedly bring forward the point at which the Monetary Policy Committee decides to raise interest rates, should it occur then property markets might also attract further investment as a hedge against inflation. Ultra-low interest rates have prompted rises in house prices across the world, and a growing number of institutions have decided to invest in rental housing (Lloyds Bank and John Lewis being two recent UK examples).

Reading the long-term implications of shocks such as Covid-19 is always challenging, and these will be explored in more depth in the 2022 edition of the *Review*.

Affordable housing investment to lead the way out of the crisis?

John Perry

The *Review's* annual assessment of government support for housing investment and what proportion goes towards affordable housing showed a significant shift this year. In Wales, Scotland, and Northern Ireland most support (between 74 and 100 per cent) goes towards affordable housing whereas in England most has gone to private housing. In 2020, three-quarters was aimed at supporting the private market. The current picture for England (see chart) is more favourable: a rather bigger Affordable Homes Programme, coupled with the ending of some of the Cameron-Osborne incentives to the private market, has shifted affordable housing's share to 46 per cent.



Source: Based on *UK Housing Review 2021*, Table 2.4.1.

In England, the big question is still whether this is sufficient. Before the pandemic, there was already evidence that needs had increased above the level indicated by Glen Bramley's comprehensive assessment based on 2015/16 data, which called for 90,000 social rented units annually together with 25,000 for shared ownership.[1] Problems have since worsened.[2] Overcrowding has increased, particularly in the PRS, where 15 per cent of tenants are now overcrowded. Also, some nine per cent of private renters (353,000 households) are in arrears, compared with only three per cent in 2019/20. More than one-fifth of private renters have lost income (at least £100 per month) during the pandemic. Despite economic recovery, more low-income workers now subsist in 'a very unstable and precarious labour market'.[3]

Grant-funded affordable housing completions in England totalled 33,044 in 2020/21, rather below the annual average of 38,800 since 2010/11, in part because of the pandemic.[4] The Theresa May government set a 50,000 annual target for affordable housing completions, and average delivery over the last ten years achieved this via a sizeable contribution of units provided without grant assistance. The Johnson government has set a target of 180,000 *grant-funded starts* for 2021-26 (i.e. 36,000 annually): essentially this is the same target expressed in a different way, and while it should be achievable it now looks to fall even further short of rising needs.

The picture is even worse if the focus is on social rented housing, with just 2,102 completed with grant aid in 2020/21, although non-grant-funded completions might well raise this to around 5,000 when figures become available. However, an indication of difficulties of expanding such output comes from London, where the Mayor aimed to build 11,000 new council houses to be let close to social rents over the period 2018-20, and just 1,632 have been built so far.[5] GLA efforts to switch resources to social rent are said to be constrained by government rules requiring that at least 47 per cent of the budget is spent on intermediate tenures.[6]

In Scotland, achievement of the 50,000 affordable homes target over the five years to March 2021 was thwarted by the pandemic, with completions falling to 6,466 in the final year whereas they had exceeded 9,000 in the two previous years. Providers must now deliver the delayed completions this year, while also beginning the next round of the programme covering the five years to 2026 and requiring the same output with a similar budget (see page 17). While the new target is close to meeting assessed need, the fact that the budget stays the same has caused concern. Grant will be subject to new conditions including those about indoor and outdoor space, energy efficiency and digital connectivity, and there are questions over whether the sector can provide better quality homes within the planned budget or whether rents will have to increase to cover the difference. Research by SFHA also points to increased costs of labour and materials.[7]

In Wales, delays in producing statistics again make it difficult to report on progress in affordable housing delivery, although perhaps surprisingly the Welsh Government managed to slightly overspend their allotted budget: £223 million was allocated for 2020/21 and £228 million actually spent.[8]

In Northern Ireland, the target under the Social Housing Development Programme is based on starts, aiming to achieve 1,850 annually. Delivery over the last two financial years has shown some remarkable peaks and troughs, with starts falling to only 761 in 2019/20 but shooting up to 2,403 in 2020/21. Unusually, 70 per cent of this record level was achieved in the last quarter of the year, presumably reflecting a large backlog of work which eventually began as the pandemic eased.

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1 NHF (2020) *People in Housing Need: A comprehensive analysis of the scale and shape of housing need in England today*. London: NHF.

2 MHCLG (2021) *English Housing Survey Household Resilience Study Wave 2: November-December 2020*. London: MHCLG.

3 Joseph Rowntree Foundation (2021) *People in low-paid, insecure work faced a rising tide of employment uncertainty in 2020*. York: JRF.

4 See MHCLG Live Table 1012.

5 See www.cityam.com/exclusive-sadiq-khan-miles-behind-council-housing-target-with-just-1600-completed-since-2018/

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7 See www.sfha.co.uk/news/news-category/sfha-news/news-article/affordable-homes-funding-is-welcome-but-investment-must-rise-with-increasing-costs

8 Data from correspondence with Welsh Government.

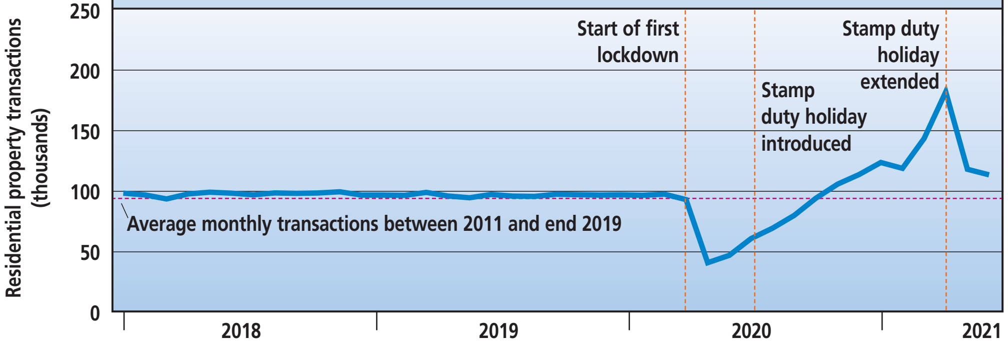
The private housing market emerges from the pandemic

Peter Williams

In general terms housing and mortgage markets in the UK as measured by prices, transactions and mortgage volumes/pricing have outperformed almost all expectations for 2021. Indeed, such has been the unexpectedly high level of activity that attention has shifted from early concerns about a possible slump, to worries that an unsustainable price bubble was developing, far exceeding fundamental demand.

Discussion of the various stamp duty (SD) holidays across the UK (page 15) shows that the subsequent price rises largely negate the tax benefit. With the advantage of hindsight, the SD holiday has been a stimulus too far (especially by granting it to landlords as well as owner-occupiers). With ultra-low mortgage rates many buyers have found that, even if their income has stayed the same, they could buy better especially in lower-priced suburban and rural locations. The package of housing-related interventions introduced prior to and during the pandemic, alongside changes in household circumstances, have all played their part and will continue to do so even after the SD holiday has ended.

UK housing market boosted by the stamp duty holiday



Source: BoE Financial Policy Committee, Financial Stability Report, July.

Price inflation has varied by type of property – detached homes have gained most and flats least – and by area, notably in the South West of England, East Anglia and west Wales. Inner and central London properties have seen modest rises although as offices re-open and foreign investors return there is some evidence of renewed vigour. This is also paralleled in the rental market where demand in some areas fell in 2020 as tenants moved back with parents and/or left the inner cities. However, demand has now returned and most regions are showing renewed rental growth albeit London remained subdued until recently.

The big question of course is how will markets behave beyond the SD holiday in England and Northern Ireland, and the ending of the furlough scheme and of bans on repossessions. While Halifax and Nationwide price indices suggest that the market is slowing a little there is a real sense that activity remains powered by low interest rates, high savings and the interleaved effects of lifestyle and work changes.

In addition, other UK government and Bank of England (BoE) measures remain in place. The new mortgage guarantee scheme supporting high loan-to-value loans on existing homes is now operational. Added to that is the private sector Deposit Unlock scheme, adopted by some lenders and builders, to support 95 per cent mortgages on new build homes. The First Homes scheme is in place and the government's Debt Respite Scheme ('Breathing Space') went live in May in England and Wales. This scheme, entered via a registered debt advisor, gives people in problem debt 'breathing space' of 60 days to obtain advice and regain control of their finances.

There seems little appetite by the BoE to change current Quantitative Easing or to begin the process of raising the Bank Rate, both material factors in the buoyancy of the housing market. With unemployment lower than expected and the economy recovering faster than predicted some forecasters are now suggesting that market momentum will be maintained, albeit on a reduced scale.[1] Savills are predicting UK price growth at 3.5 per cent for 2022 (down from nine per cent in 2021) with Wales and Scotland at four per cent and London at two per cent.[2]

As noted in the BoE's Financial Stability Report in July, 'nearly 450,000 residential property transactions took place in 2021 Q1, ...one and a half times the average quarterly level over the past decade, and the highest since before the global financial crisis' (see chart).[3] Savills predict transactions will be lower in 2022 (1.23 million, down from 1.62 million in 2021) partly because some have been pulled forward by the SD holidays. Latest BoE data show that net mortgage borrowing hit a record of £17.9 billion in June but the forward indicator, mortgage approvals, weakened, suggesting the market has probably peaked (June approvals were down to 81,300, from 86,900 in May – the lowest since July 2020). With prices and transactions at their highest for over a decade, the BoE's Financial Policy Committee saw this as the result of a combination of 'temporary policy support and structural factors', taking comfort from the modest increase in mortgage borrowing relative to aggregate income and low debt-servicing ratios. With mortgage market controls in place and under review it was felt that there was no case for immediate intervention.

The narrative above might suggest that all is positive but that is not so. Access to the market has for many deteriorated and movement within the market has been selective. In a recent University of Glasgow speech by the BoE Chief Economist, Andy Haldane, he referred to the housing market as being 'on fire' and that it was driving inequality.[4] Indeed, government policy focussed on boosting supply simply fails to address such questions.

References

1 RICS (2021) *UK Residential Market Survey*, August. London: RICS.

2 Savills (2021) *Mainstream Residential Property Forecasts*, 27 July. London: Savills.

3 Financial Policy Committee (2021) *Financial Stability Report*, July. London: BoE.

4 See www.theguardian.com/business/2021/jun/08/uk-housing-market-is-on-fire-warns-bank-of-england-chief-economist

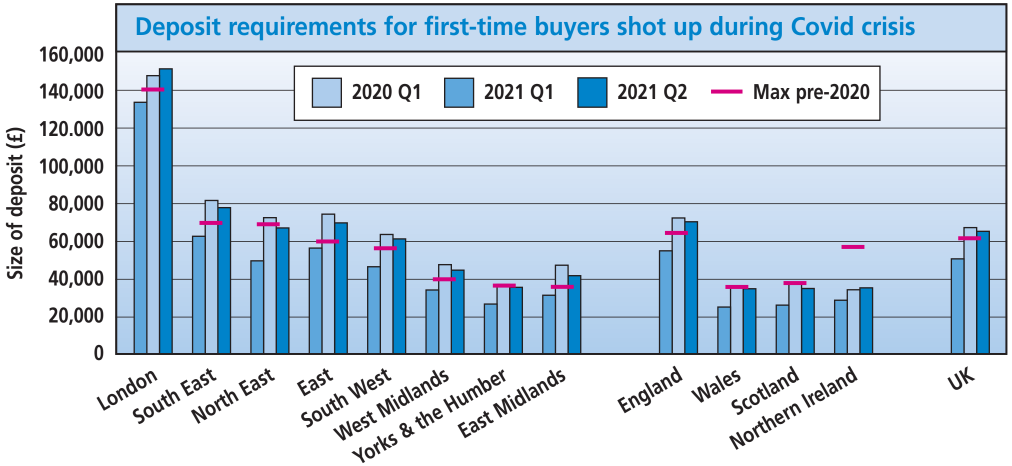
Discussion of the housing market often focuses on the direction of prices or the prospects for first-time buyers. This somewhat one-dimensional approach belies market complexity, not least in terms of the crucial interaction and interdependence between first-time buyers (FTBs) and existing owners. Ultimately a market is about liquidity with active buyers and sellers. The government has chosen to focus on the supply of new homes, but the reality is that these typically make up less than 12 per cent of transactions in any year. For the most part sales are between existing owners or existing owners and first-time buyers – this last being a disparate group including newly-formed households, some migrants from outside the UK and households from other tenures.

There have been far-reaching changes in the make-up of total transactions over the past 15 years. The squeeze on mortgage availability after the global financial crisis (GFC), now embodied in mortgage conduct and macro-prudential rules, has boosted the role of cash (accounting for more than a third of total purchases). Some of this also reflects the ageing of homeowners and the growing ability of equity-rich owners to downsize or make some other move without needing finance.

For households reliant on mortgages, there have been contrasting experiences over the past decade. The numbers of FTBs and movers (requiring a mortgage) fell sharply after the GFC. Both groups experienced intensifying affordability pressures as house prices picked up and incomes stagnated, but owners hoping to move faced higher transaction costs (especially stamp duty), were less likely to get government help (e.g. Help to Buy) or from the 'Bank of Mum and Dad' and, being older, had less ability to stretch their borrowing via longer repayment terms. As a result, the pre-Covid years saw FTBs recover strongly whilst movers languished (often opting to stay and improve their existing homes).

Covid has disrupted household behaviour patterns, perhaps permanently, with real consequences for the housing market. Households' lockdown experiences and greater opportunities for flexible working have triggered strong demand for extra space, a huge uplift in activity levels and inevitable upward pressure on prices. This was amplified by the introduction of the stamp duty holidays in 2020 – a response to the politics of homeownership alongside the desire to stimulate the wider economy – giving a particular boost to existing owners and (across much of the UK) investors.

However, this had consequences for FTBs (see chart). Rising prices alongside lenders' more cautious view of the market outlook, limiting the number of high loan-to-value (LTV) loans, meant that deposit requirements rose sharply – in turn squeezing out potential FTBs. The government, under pressure, moved to revive the higher LTV market by introducing a mortgage guarantee scheme (running until the end of 2022). This helped boost the supply of such loans and eased some of the pressure on deposits. But debt vulnerability will grow if FTBs stretch their finances to get on the housing ladder only to face higher mortgage rates and limited capital gains over the next few years.



Source: Author estimates based on ONS House price data: quarterly tables, Table 15.

As usual, government initiatives have focussed upon easing access to ownership for new buyers – Help to Buy, First Homes, mortgage guarantees and the stamp duty holiday (see page 15). More thought needs to be given to other aspects of the market including how to encourage existing owners to transact and for all households to make better use of the housing stock. Given housing's increased importance as an investment good there are few disincentives to its over-consumption – council tax as currently structured favours those with higher-value homes and there is still no real appetite from the UK government to move towards a more progressive property tax which might encourage households to better align their actual consumption with their underlying housing needs.

Indeed, there is little sense that government understands how taxation and credit supply/cost are themselves key components in the operation of the housing market alongside their preferred focus on housing supply and reform of the planning system. All governments need to broaden their housing strategies to secure a more balanced housing stock in terms of size and type. New build is dominated by detached homes and with many renovating rather than relocating we have also seen a resizing and repricing of smaller homes. The upshot of this is that new, small households often find they have limited choices aside from flats – another example of inter-generational unfairness.

A more dynamic and flexible housing market could also help tackle climate change. Government incentives can shift behaviour and secure the creation of both a better and better-used housing stock and market re-pricing in favour of energy-efficient homes. With a large share of bigger, older and less energy-efficient homes owned by older households, the necessary changes may be painfully slow in the absence of wider market interventions.

The continuing controversy over planning reform in England

Hannah Keilloh

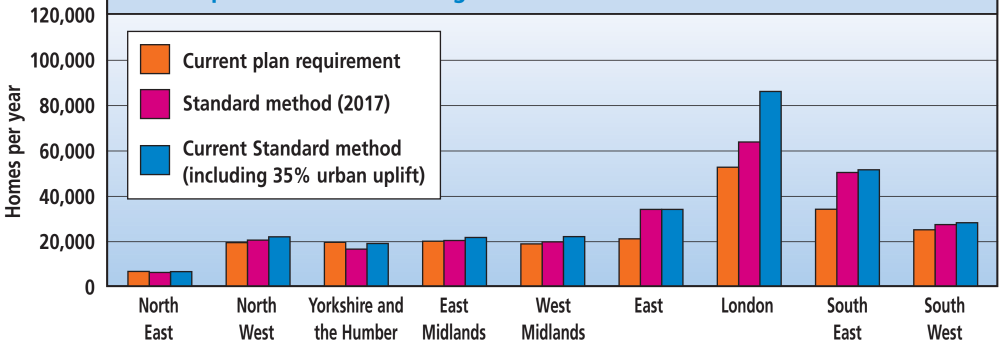
In August 2020, the white paper Planning for the Future set out proposals for a 'once in a generation' reform of England's planning system. A separate consultation paper set out interim changes to the current system. Both have proved contentious, across the political spectrum: former Conservative leader William Hague said in *The Times* (June 21) that 'planning reform could be Boris Johnson's poll tax'. The proposals were also widely cited as a factor in the Conservative's byelection loss at Chesham and Amersham.

The reforms are intended to modernise, simplify and speed up the planning process, increase land supply and achieve the target of building 300,000 homes per annum. With 44,000 consultation responses to wade through we have heard little more detail from government. However, critics continue to make their voices heard, raising questions about whether this radical transformation will survive the stages of the forthcoming Planning Bill.

Proposals for reforming the 'standard method' for deciding numbers of homes to be planned were widely criticised. Modelling showed a concentration of housing growth numbers in London and the South East, with some areas of the North and Midlands flatlining or even decreasing. As a result, in December 2020 the government proposed instead to keep the current standard method but adding a 35 per cent uplift to the numbers it generates for 20 major urban centres, resulting in the regional spread shown in the chart. However, the House of Commons Housing, Communities and Local Government Select Committee asked for details of how this might work in practice, and said the government should lay out the evidential basis for the 300,000 annual target, both by tenure and by location.

The white paper proposes ending the duty on local planning authorities to cooperate across boundaries to meet needs, which has not always been successful. The select committee asks ministers to explain what is going to replace this duty before they get rid of it, saying that it requires more effective mechanisms for strategic planning.

Plan requirements for housing under two versions of the 'standard method'



Source: data supplied by Lichfields.

Another contentious reform is the replacement of section 106 agreements (s106) and the Community Infrastructure Levy with a single Infrastructure Levy. This would be set nationally, chargeable for every development above a certain value threshold and payable upon occupation. The proposals were light on detail and no more information has yet emerged.

Section 106 has a crucial role in the delivery of affordable homes (in 2018/2019 it provided 49 per cent of supply, rising to 51 per cent in 2019/20, mostly with no government grant). Whilst the white paper claimed the levy would deliver as much 'if not more' affordable housing, there was no modelling to support the claim. The select committee urged the government to clarify how it will replicate the binding nature of s106 agreements. The committee insisted that the government should guarantee there will be no reduction in the amount of affordable housing, including social housing, because of the changes, but with no indication of how such a guarantee could be achieved. The committee also said that the government should recognise that the levy will not be sufficient to pay for all infrastructure needs across much of the country, and that further inequalities will have to be addressed through government intervention.

At present, s106 contributions are not sought for developments of fewer than ten units. The consultation proposed temporarily raising the threshold for exemption to 40 or 50 dwellings, but in April the government backtracked in response to feedback and said they would not change the threshold. However, at the same time government committed to a new 'First Homes exception site' policy (to be delivered on sites in rural areas where previously only affordable housing would have been permitted). It was also confirmed that 25 per cent of s106 units (until such time as s106 is replaced with the new levy) should be delivered as First Homes. The potential displacement of genuinely affordable homes through these moves is very concerning.

In terms of land within the green belt, the white paper proposed little change. In fact, the notion of national 'protected areas' in planning policy terms hints at even heavier protection of the green belt. The select committee wanted a review of the green belt's purpose; this was rejected by the housing minister but pressure to hold such a review seems to be rising.

After the recent ministerial changes, it is not yet known if the proposed 'overhaul' of the planning system will be significantly watered down or even scrapped completely. Given that the proposals are under review, perhaps it creates an opportunity to address some major gaps, including: adequately resourcing planning teams, providing a clear pathway to 'net zero' and addressing the pressing need for genuinely affordable homes, particularly those at social rents. Time to think again?

What does 'levelling-up' mean for housing?

Brian Robson

After the general election, the prime minister declared his mission was to 'unite and level-up' the country. Nineteen months later, his highly anticipated speech on this topic offered little more than the same incantation. So, what have we seen so far on the levelling-up agenda? What does it mean for housing, now and in the future?

'Levelling-up' is ill-defined, but generally understood as a policy targeting certain places that in some way have fallen behind the rest of England. To date, the most significant clues come from the prospectus for the £4.8 billion Levelling-Up Fund, targeted at the 'infrastructure that improves everyday life'. It seeks to fund small (sub-£20 million) projects of the type that some critics suggest will be little more than 'symbols and tokens'.[1]

A white paper this Autumn, coordinated by Boris Johnson's 'levelling-up' minister, Neil O'Brien MP, is expected to set out more detail. In March 2020, then-backbencher O'Brien set out his own policy prescription for levelling-up: rebalancing the geographical distribution of billions of pounds of existing spending which he considered to be 'growth-enhancing'.[2] On housing, O'Brien noted that spending on affordable supply in London was five times higher per head than in the rest of England, and that the 80:20 'geographical targeting' rule effectively limited spending on housing infrastructure projects to London and the south. He recommended a review of the rationale for the regional distribution of such spending and an immediate end to this rule.

Even before O'Brien's appointment, some tentative steps were made in this direction. The government announced in December 2020 that it would revise the 80:20 rule to ensure funding 'is not just concentrated in the London and the South East' though no details have yet emerged.[3] London's share of the Affordable Homes Programme fell from around half to just over one-third of the 2021-26 programme, although there is no guarantee that areas requiring levelling-up will necessarily benefit. Requirements such as greater focus on homeownership, a tight definition of 'additionality' which acts against funding brownfield sites, and continuing geographical restrictions on funding for social rent, may favour more buoyant housing markets.

An alternative might be to consider the housing issues that are most prevalent in areas in need of levelling-up, and design policy accordingly. One example is the quality of the existing stock, which in post-industrial communities tends to be older and colder than the national average. Here, government has an opportunity to deliver not just on their levelling-up agenda, but on net zero too. Analysis suggests that 270,000 homes per annum will require upgrade across northern regions to meet the government's target that homes reach energy performance certificate level 'C' by 2035 (see table).[4] This is a conservative estimate as some tenures may need to reach this level far earlier (BEIS have proposed that new PRS lettings may need to reach it by 2025).[5] A huge home upgrade programme (see page 10) could create an estimated 77,000 direct jobs across northern regions by the 2030s.[6] For residents, it would mean lower heating bills, warmer and healthier homes, and facelifts for whole neighbourhoods of older properties needing external wall insulation.

Homes requiring upgrade to reach EPC C by 2035

	Percentage of homes below EPC C	Number of homes below EPC C	Homes requiring upgrade each year 2020 to 2035
North East	58.1	668,983	44,599
North West	61.0	1,881,172	125,411
Yorkshire & The Humber	65.3	1,487,467	99,164
Total Northern regions	62.0	4,037,622	269,175
ENGLAND	59.6	13,638,971	909,265

Source: ARC4 analysis of the English Housing Survey 2020 for Northern Housing Consortium.

There have been tentative signs of policy development explicitly intended to meet the needs of the areas with housing market challenges: £360 million of the £400 million Brownfield Housing Fund was allocated directly to the north and Midlands. But using capital investment to make a visible difference at scale and pace will require coordination. With over 80 per cent of local government spend in northern regions now funding statutory services, councils' housing, planning and regeneration capacity must be rebuilt. Expert support is needed and Homes England's annual report confirms the agency is exploring options to support levelling-up through regeneration.

At first, 'levelling-up' had the political advantage of suggesting that nowhere need lose out. Unlike alternative phrases like 'rebalancing', levelling-up suggested that lagging regions could be assisted at no expense to the leaders. But the kind of long-term shifts in mainstream funding that O'Brien originally proposed are transparently about rebalancing. Designing future policy with spatial equity in mind must go much further than it has so far. This Autumn's multi-year spending review, the first since 2015, will be an important test of whether initiatives like the net zero home upgrade programme are designed with levelling-up in mind.

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Soon it will be too late – addressing housing's contribution to climate change

John Perry

The Royal Meteorological Society confirms that climate change is being felt across the UK. All of the top-ten hottest years on record have occurred since 2002, with the greatest warming (over 1°C) across the East Midlands and East Anglia. The government's Climate Change Committee warns that 'time is running out for realistic climate commitments'. Progress in tackling the decarbonisation of buildings is 'very poor', it says, and 'an ambitious heat and buildings strategy... is urgently needed'.[1]

Time is also running out in a more limited sense, given the imminence of COP26 in Glasgow in November. Not surprisingly, calls are being made for the UK to announce specific measures to match its ambitious targets, to encourage other major carbon-emitting countries to do the same. But Whitehall appears to baulk at the potential costs and, in the housing sector, fears resistance from developers and the risk of disrupting the market.

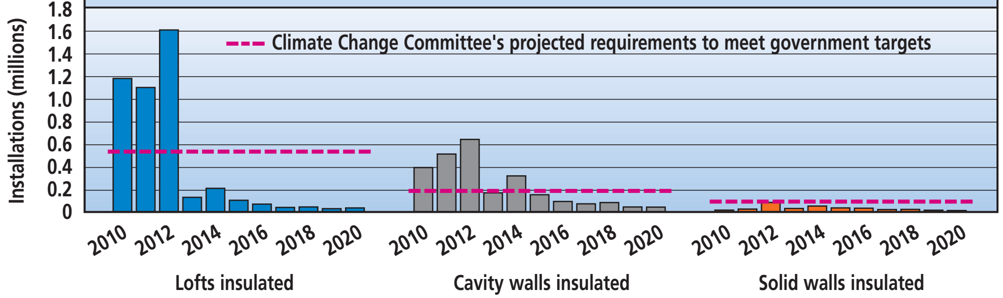
A key issue is domestic heating, accounting for 14 per cent of UK emissions. Delays in publishing the government's Heat and Buildings Strategy mean there is no clear framework of policy choices and timelines for decarbonisation, for example on whether to give priority to upgraded heating systems or to more energy-efficient building fabric. Reports suggest that the strategy will focus on heating systems.

Here the government faces further choices between decarbonising the gas grid or promoting heat pumps – the favoured alternative to gas boilers. Neither is ideal. Producing hydrogen as a substitute for natural gas would mean that existing systems might be adapted more cheaply but the technological challenges are huge and the carbon savings unclear. On the other hand, heat pumps cost at least three times as much as gas boilers and households may need to be subsidised to install them.[2] Connecting more homes to low-carbon heat networks could provide a third option but only for a small proportion of the stock.

Heat pump installations rose slightly to 39,000 in 2020 but this is far short of the 400,000 needed annually by 2025. The proposed Clean Heat Grant, due to replace the current Renewable Heat Incentive next year, is thought likely to offer vouchers worth £4,000, almost certainly insufficient to have the required impact. The Scottish Government's strategy, published in February, also relies partly on heat pumps. But CIH Scotland pointed out that its commitment of £1.6 billion over five years towards heating replacements covers only a small part of the projected £33 billion cost.

Energy-efficiency experts generally advocate a 'fabric first' approach which prioritises insulation, reduces heat demand and makes it less costly to use systems (including heat pumps) which rely on electricity. However, as the chart shows, installation of the three main insulation measures across the UK runs well below the required levels. In England, the Green Homes Grant, intended to invest £2 billion over two years, was cancelled in March and has yet to be replaced. More positively, the next phase of the Energy Company Obligation (ECO4) is due to start in March 2022, covering England, Scotland and Wales, and has been expanded to £1 billion annually, targeting the most inefficient homes.

Installation of principal insulation measures in the UK, 2010-2020



Source: Climate Change Committee, 2021 Progress Report to Parliament.

Decarbonising the social housing stock also awaits decisions expected in the Autumn spending review. There is considerable uncertainty about how the costs will be met given major financial pressures such as achieving new build and fire safety targets. So far only part of a £3.8 billion Social Housing Decarbonisation Fund has been committed; the NHF has called for it to be brought forward and for 30 per cent matched funding from the sector, while the LGA says that council housing needs investment of £1 billion annually which also requires support.[3]

In Scotland, the SFHA says meeting the government's Energy Efficiency Standard for Social Housing 2, which requires stock to achieve an EPC Band B rating by 2032, will cost housing associations £2 billion. COSLA has warned that council housing costs are also high. In Wales, estimates of the sum needed to retrofit the 230,000 social sector homes range from £3.4 billion to £4.2 billion, with about a third required as grant.[4] In Northern Ireland, costs for the social sector of achieving EPC band B are put at £1 billion.[5]

The OBR's July Fiscal Risks report says the cost to the government of the transition to net zero could be less over 30 years than the pandemic has cost in just two. It assumes households will need government support for 44 per cent of their costs, skewed towards those on low incomes. Costs could be much higher, the OBR warns, if action is delayed.

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Homelessness trends and recent policy development in Scotland

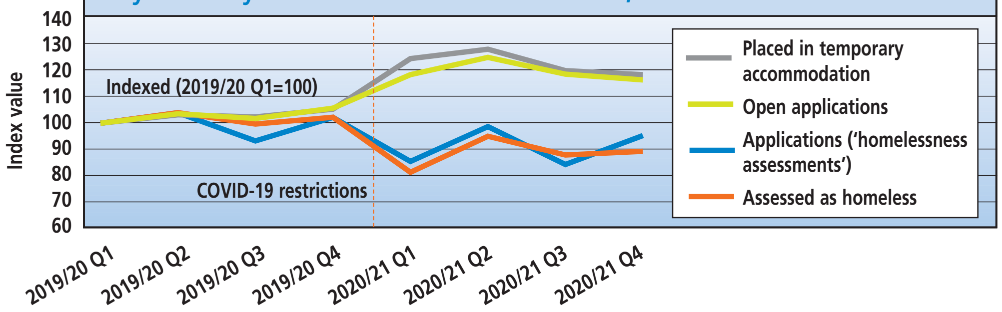
Beth Watts

As elsewhere in the UK, in Scotland the pandemic has had a marked impact on trends in homelessness. April-June 2020 saw a reduction of 17 per cent in new statutory homelessness applications logged by local authorities compared to the previous quarter, with cases assessed as homeless also falling 20 per cent in the same timeframe (see chart). Applications and assessments remained at reduced levels throughout the financial year, with overall assessments down 11 per cent on 2019/20 levels, and cases assessed as homeless down 13 per cent. The drops in applications and assessments seen in the pandemic year were in part driven by the introduction of protective measures for renters to prevent and/or delay evictions: homelessness precipitated by the loss of rental tenancies fell dramatically, by 57 per cent in 2020/21 compared to the previous year (from 4,651 to 1,999 cases).

It was a different story for 'open applications'. These are homelessness applications under assessment, or where an assessment has determined that the applicant is owed a duty under the legislation but where the duty has yet to be discharged. They *rose* by 18 per cent in April-June 2020 and temporary accommodation placements rose by 12 per cent – trajectories that peaked in July-September 2020. By year end these 'backlogs' had been somewhat reduced but remained far above pre-pandemic levels.

These increases are also likely to be explained by factors specific to the pandemic, and in particular increased demand generated in part by emergency provision for those sleeping rough or at risk of doing so, combined with the near cessation of social housing lettings during the pandemic's early stages.

Key statutory homelessness trends in Scotland, 2019/20-2020/21



Source: Scottish Government homelessness statistics.

Officially enumerated rough sleeping in Scotland (captured via the statutory homelessness system rather than street counts) also fell during the pandemic year. Using the average figure for previous three years (1,622) as a benchmark, it fell by nine per cent. Larger proportionate falls were recorded in both Glasgow (16 per cent) and Edinburgh (44 per cent), reflecting concerted efforts to accommodate those sleeping rough or at risk of doing so, including those with no recourse to public funds or facing other barriers to temporary accommodation.

This all occurred in a context in which homelessness had been a renewed policy priority in Scotland since the announcement, in 2017, of 'a clear national objective to eradicate rough sleeping in Scotland and transform the use of TA [temporary accommodation].'[1] This was pursued via the appointment of a short-life Homelessness and Rough Sleeping Action Group (HARSAG) and the commitment of £50 million additional expenditure on homelessness to 2022. In November 2018, the Scottish Government published an Action Plan to take forward the HARSAG recommendations via an ambitious reform programme.[2] This included a focus on rapid rehousing, Housing First, the introduction of new homelessness prevention duties on public bodies, and legal changes to intentionality and local connection rules.

A key mechanism for delivery of the Action Plan has been the development and implementation of five-year Rapid Rehousing Transition Plans (RRTPs) by local authorities. RRTPs are intended to chart a route to lessen reliance on temporary accommodation, improve prevention, and expand settled housing options for homeless households, including via increased social housing allocations and, to a lesser extent, enhanced access to the private rented sector. The funding bids made in this first tranche of RRTPs (in 2018) were reported to total £130 million, dwarfing the funds allocated.[3] Ministers subsequently agreed to increase funding for the first three-years of RRTPs (from £15 million to £24 million) and the Covid-19 pandemic prompted a further £5 million uplift in 2021/22.

According to a majority of councils (20 of 29), having RRTPs in place supported their homelessness responses to the pandemic, via improved partnership arrangements and securing more social housing lettings for homeless households.[4] While lettings data for 2020/21 are not yet available, the proportion of (all) new social lettings allocated to homeless households increased from 38 per cent in 2015/16 to 44 per cent in 2019/20.[5] The rapid rehousing agenda, combined with the effects of the pandemic, may push this figure higher still in years to come, with a parallel emphasis on maximising access to a full range of settled housing options, including in the private rented sector, also being pursued.[6]

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Over two million foreign nationals excluded from social housing and benefits

John Perry

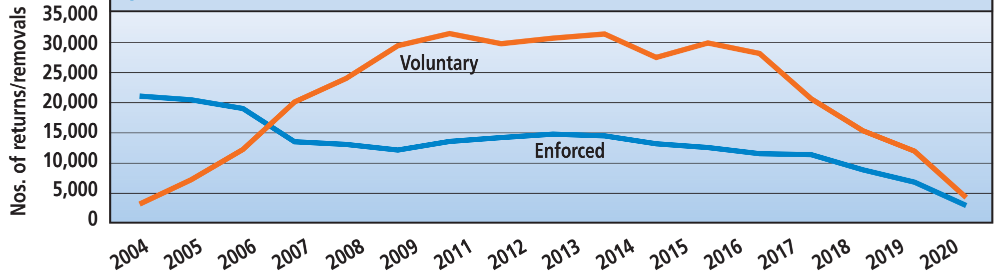
With the passing of the June 30 deadline for EU nationals to apply for settled status in the UK, another tranche of the population is now prevented from renting accommodation, getting homelessness help or receiving benefits. EU citizens who came here under 'free movement' rules and have not applied to the EU settlement scheme (EUSS), together with those who have arrived since the deadline, are affected. How many failed to apply is unknown but a leaked Whitehall report estimated that 130,000 EU benefit recipients had still to apply in June. In addition, around two million people who hold pre-settled status will need to reapply to the EUSS later, in order to confirm their residency rights and some, inevitably, will fail to do so or be rejected.

Vulnerable groups of EU citizens who may fall through the net include those who are homeless, older people, children in care and people who for various reasons cannot navigate the complicated application system. They can make a late application, and their status is protected while the application proceeds. But they will become undocumented if they fail to apply or their reason for being late is not accepted. Many who are ineligible may only find out when their status is eventually checked, for example, if they try to rent a flat. Even those with settled status may be subject to discrimination, as they only have digital proof and landlords may feel it is less risky to take on tenants whose status is clearly shown on paper.

The EU citizens affected join the huge number of UK residents already ineligible for social housing, homelessness help or benefits because of Home Office 'hostile environment' policies. According to ministers, the purpose of the hostile environment, including 'right to rent' checks by landlords on prospective tenants, is to 'stop migrants using public services to which they are not entitled, reduce the pull factors which encourage people to come to the UK and make it easier to remove people who should not be here'.[1] However, both the National Audit Office and the Chief Inspector of Borders and Immigration have criticised the Home Office for failing to measure the intended effects. As the chart shows, since measures such as 'right to rent' began in early 2016 the numbers of enforced removals have fallen, while voluntary returns have continued to fall, suggesting that in this important respect the hostile environment is failing.

Those affected fall into two main groups. The first is the estimated 1.4 million people living in the UK legitimately but with 'no recourse to public funds' (NRPF), meaning that they can rent privately but get no help if (for example) they become unemployed.[2] The Joint Council for the Welfare of Immigrants (JCWI) showed that many with NRPF had their pay cut or lost their jobs in the pandemic, including parents with children, and had severe difficulties in keeping their accommodation.[3] The Select Committee on Work and Pensions joined the call made by many organisations (including CIH) to suspend NRPF during the pandemic, but to no effect.

Enforced removals and voluntary returns from the UK due to immigration procedures



Source: Home Office quarterly migration statistics.
Note: 'Voluntary returns' are those registered in response to Home Office action.

The second and even more vulnerable group is an estimated number of between 800,000 and 1.2 million people who have no legal status at all. This 'undocumented' part of the population has no formal access to housing or benefits; some 200,000 of them are children, many of whom were born in the UK.[4] Although the characteristics of the undocumented population are of course not known in detail, a JCWI survey suggests that most have lived in the UK for more than five years and half for longer than a decade, the majority having entered legally when they first arrived.[5] Many lost their status through circumstances beyond their control (e.g. marital breakdown, mental health issues). A large proportion could rectify their status if they were able to prove their entitlement and pay the very high fees required. In the meantime, they are vulnerable to exploitation via illegal working, poor quality and insecure accommodation or having to sleep rough. JCWI argues for a new, simplified route to regularisation based on five years' residence, immediate entitlement to citizenship for those born in the UK and a visa system which does not automatically reject people who make delayed applications.

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Covid-19 and the private rented sector: arrears, forbearance, and (in)security

Tom Simcock

The pandemic and consequent lockdowns have emphasised how vital safe and secure housing is for protecting our health. However, the ability of many tenants to retain their tenancies has been threatened by the economic consequences of the pandemic. The Resolution Foundation reported that, overall, nearly one-quarter of private renters had seen their income reduced (through furlough, unemployment, or reduced earnings).[1] Governments across the UK responded by putting in place temporary measures to prevent tenants from losing their homes.

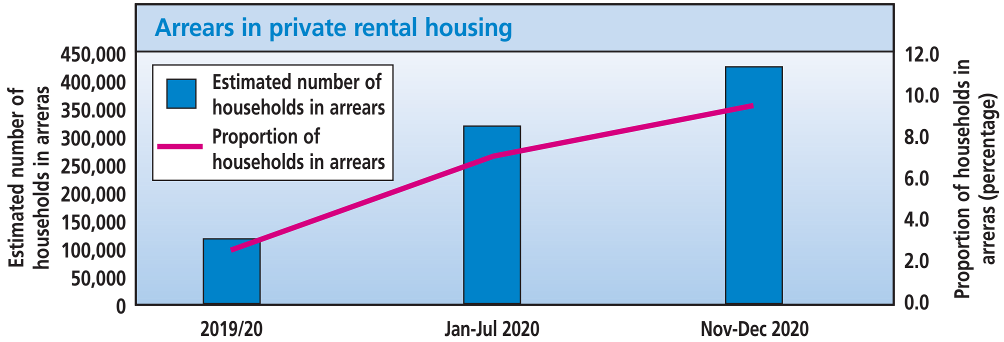
While the furlough payment scheme prevented serious financial hardship for most of those in work, private tenants have more problems as they pay higher housing costs as a proportion of their income: on average this increased from 32 per cent before the pandemic to 36 per cent at the end of 2020,[2] while about one-fifth of private renters saw their income fall by at least £100 a month.

The government also raised local housing allowance rates back up to the 30th percentile of median rents in the locality. Nevertheless, those becoming claimants for the first time are likely to have found a significant gap between what is covered by the LHA rate and their rent. Faced with pressure on their finances, many renters cut back on other areas of household spending.

Despite the financial support provided, there is a looming rent arrears crisis that could lead to a substantial number of evictions. Approximately 405,000 private renting households in England are now in arrears. The chart shows the increase in the proportion of private renters in arrears from pre-pandemic to November-December 2020.

During the pandemic governments imposed a series of changes to eviction processes and notice periods to reduce homelessness, but those have now been relaxed and evictions have restarted. Landlords have been urged to forbear on pandemic-accrued rent arrears and to work to keep tenancies going. But while some renters successfully secured some form of forbearance, a significant minority (five per cent) did not. Not all landlords are in the position to offer forbearance; nearly half have only one property and three-quarters have an income below £50,000.[3] Some landlords will have had their own employment income affected along with their tenants.

The Scottish and Welsh Governments have introduced rent arrears loan schemes for private renters, but they have had limited take-up due to the creditworthiness and affordability requirements. To boost their effectiveness, the loans are now being transformed into grants to renters. In England, help has been limited to existing schemes and to discretionary housing payments which are only accessible to those getting support with their housing costs through universal credit or housing benefit. Tenant and landlord groups have issued a combined call for the government to introduce a dedicated financial package, including grants for rent arrears to support tenants and landlords to maintain tenancies.[4] The House of Commons Housing, Communities and Local Government Select Committee have estimated that such a scheme would cost £200-300 million.[5]



Source: MHCLG Household Resilience Study Wave 2 (2021).
Note: Household numbers are based on an estimated total of 4.5 million PRS households (England).

Failing to address the increase in arrears could result in a crisis in the PRS. Some households will face eviction and/or difficulties in securing an alternative letting. Further, if the landlord decides to seek repayment through the courts, renters could end up with a county court judgement and a damaged credit score. The National Residential Landlords Association report that landlords of over 25 per cent of tenants in arrears are already seeking repayment through a court order.[6] This will likely have a broader effect on accessibility to the sector as landlords ask for larger amounts of rent up-front.

The pandemic has further exposed the insecurities and inequalities in our society, especially between those with good-quality and secure housing compared to those without. A raft of divergent reforms aimed to improve renting for tenants are planned across the UK. Both the Renters Reform Bill in England and the Renting Homes (Amendment) (Wales) Act 2021 are intended to improve security of tenure. The Scottish Government is committed to a national system of rent controls (see page 17), and in Northern Ireland there are also plans to increase tenure security.

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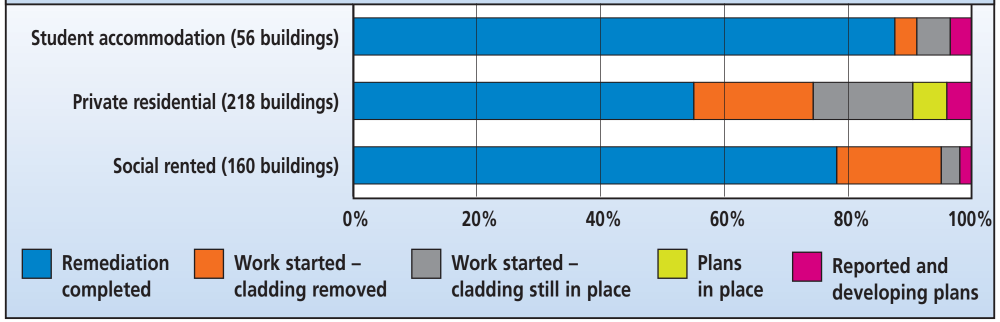
Fire safety four years after the Grenfell Tower fire

John Perry

In the aftermath of the Grenfell Tower disaster, the government focused its safety efforts on replacing the particular type of cladding (aluminium composite material – ACM) implicated in the fire. Even so, four years later, progress is still slow. In the social sector, 78 per cent of buildings affected have had remedial work completed but in the private sector the figure is only 55 per cent (see chart). Some 99, mainly private, buildings are likely to have works outstanding at the end of 2021, despite the government originally expecting all works to be finished by 2020. In addition, some buildings have other fire safety problems not covered by the £600 million government funding.

Progress in replacing unsafe ACM cladding in high-rise buildings in England



Source: MHCLG: Building Safety Programme, monthly data release, August 2021.

The case of a fire in a 19-storey private block in Poplar, London, where ACM remedial work is in progress, is a reminder of those remaining problems. The fire, unrelated to the cladding, spread quickly despite a 'waking watch' scheme; smoke detectors failed, some fire doors did not close and ventilation shafts failed to open; fire escapes filled with smoke while 42 people were being evacuated. Leaseholders in the same scheme remain liable for £3.1 million of the £11.6 million cost to remedy the faults. In another case in Manchester where ACM remedial work has been completed, residents face new bills of £36,000 for additional fire safety works identified since.

To tackle safety problems in the large number of buildings with other unsafe cladding materials such as high-pressure laminates, owners can bid for grants from a £1 billion government fund, with a further £3.5 billion promised but not yet allocated. Grants are available only for buildings above 18m in height, with around 2,000 bids in so far. For lower buildings, loan (not grant) funding towards the cost of works is promised, but details are awaited, including how to resolve the tricky issue of who takes on the loans (freeholder or leaseholder?). The government has announced a new developer tax and levy towards fire safety costs but has failed to promise that amounts raised will be added to the total of £5.1 billion in funding so far available.

In buildings at risk, waking watch schemes are eligible for help from a separate £35 million fund, expected to assist residents in up to 480 buildings. By August, 178 applications had been approved. However, fire chiefs told the GLA that there are now 901 buildings with waking watches in London alone, many receiving no government help.[1] Some 21 per cent of residents in high-rise blocks in England currently feel 'unsafe' from fire.[2]

The full extent of non-ACM structural fire safety problems is unknown. England has 12,000 high-rise residential buildings (over 18m in height), with another 76,000 medium-rise buildings (11-18m tall).[3] Originally, 1,700 of the high-rise group were considered to be at risk, but this figure is now in doubt and the number at risk in the medium-rise group is unknown. The Association of Residential Managing Agents' broad assessment is that some 657,000 people are at risk in high-rise buildings; *Inside Housing* suggests the true total for people at risk across the UK in both high-rise and medium-rise buildings could be well over one million.[4]

What might be the total cost of remedial work? In 2020 the Commons Housing, Communities and Local Government Committee estimated that it might be £15 billion for high-rise buildings alone; a year later, it is still urging the government to produce equivalent data on progress in tackling the problems as it does for the more limited issue of ACM cladding.[5] So far, the government will only reveal how many applications for funding it has received.

Fire risk is only part of the problem. Others surround the requirement for building safety assessments, including massive delays in securing the required surveys; unclear responsibility as to who pays for them; how to respond when (in most cases) fire safety works are required for mortgage purposes, and the implications for building insurance. An estimated 1.5 million flat owners have found themselves trapped in properties that are unsaleable until these problems are addressed.

The campaign group, End Our Cladding Scandal, has put forward a ten-point plan which includes fully funding social landlords to do remedial work and providing up-front finance to private owners. For the latter, the aim would be to recover costs afterwards 'from those who are at fault or took the profits for building and selling these properties'.[6] Given that this is an issue which hits homeowners hard, and daily risks producing another tragedy, perhaps the most damning aspect of the crisis is how slowly and haphazardly the government is tackling it.

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Stamp duty: another boost for homeowners at expense of first-time buyers

Mark Stephens

'Foolishly, considerable numbers of people pushed house prices up still higher in their rush to secure the extra income tax relief, despite the fact that this could not possibly recompense them for the excessive price they were having to pay for the house in the first place.'

So wrote Nigel Lawson, Chancellor of the Exchequer in 1988, at the high point of Margaret Thatcher's third and final administration.[1] Lawson sought to apply economic principles to taxation, and the anomalous situation whereby an unmarried couple could receive two lots of mortgage interest relief on the same property was an obvious target for reform.

The problem was that four months were needed after the announcement to reprogramme the computers, giving would-be purchasers both the time and motive to beat the deadline. The impetus to the housing market fed back into wider economic overheating, interest rates doubled and the housing market crashed, leading to the arrears and repossessions crisis of the early 1990s.

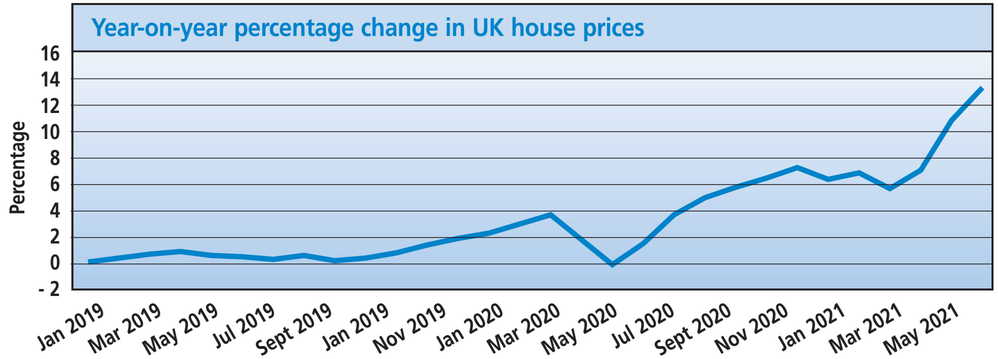
Economists coined the term 'frenzy' to describe the housing market in 1988. Wind forward more than 30 years, and little seemed to have been learned from Lawson's debacle when Chancellor Rishi Sunak introduced stamp duty relief in July 2020. In 2021, as buyers rushed to beat the 30 June deadline before the relief was cut and then finally withdrawn in September, terms such as 'supercharged', 'wild west' and – yes – 'frenzy' were used to describe the market.[2]

The concession was introduced in extraordinary circumstances: emerging from the first lockdown, for a time construction sites were closed and house sales effectively frozen. The Treasury's Jobs Plan suggested that the measure was 'crucial to ensure medium-term confidence in the property market and maintain the growing momentum since the easing of lockdown.'[3] It pointed to the beneficial effects of transactions on housebuilding and on the stimulus arising from people moving house.

The concession has certainly stimulated the market. Housebuilders reported handsome profits as house prices rose by 13.4 per cent year-on-year in June 2021. According to the Nationwide index, the average house price was £29,500 higher than in June 2020 – that is almost twice the notional maximum value of the tax concession in England.

Of course, the market has not been boosted by stamp duty alone. Pent-up demand was released, and mortgage interest rates fell to record lows. After some initial restrictions in mortgage availability (partly caused by administrative constraints as workforces adapted to home working), high loan-to-value mortgages became widely available, especially after April/May 2021.

Whilst definitive assessments will have to wait for the dust to settle, an initial diagnosis suggests that the tax concession was unnecessary to get the market moving again and extending its duration by three months in England and Northern Ireland was unwise (in Wales and Scotland, the relief ended in March.)



Source: Nationwide.

Further, the experience of previous experiments with stamp duty holidays in the early 1990s and after the global financial crisis suggests that the imminence of the withdrawal of the concession creates a temporary boost to the market. Higher house-price inflation in May/June 2021 suggests that this pattern has been repeated (see chart). The uncertainty is whether the momentum carries forward as the concession is withdrawn – market professionals predict bumper sales in July and August, but early evidence from Scotland shows that prices dipped there after the concession lapsed.

The distributional effects of measures taken to support the housing market are nonetheless clear. They have boosted prices to the benefit of existing owners at the expense of first-time buyers. One would-be first-time buyer, complaining of sellers demanding higher prices even after an initial offer had been accepted, accused the Chancellor of 'doing the equivalent of lobbing an extra Molotov cocktail onto a raging inferno for good measure' by extending stamp duty relief.[4]

All of this highlights the dysfunctional nature of the housing market and of the ways in which land and property are taxed. Virtually all experts believe that stamp duty is a bad tax because it creates a disincentive for people to move, but its yield is such that it is difficult to see governments surrendering it. It also falls on a relatively small number of households in any year. Ideally, stamp duty and council tax would be replaced with a recurrent tax, based on current land or property values. But this, too, is a path which governments are loath to take, as the numbers of losers would be significant.

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1 Nigel Lawson (1992) *The View from No. 11. Memoirs of a Tory Radical*. London: Bantam Press, p.820.

2 Details of the operation of stamp duty and the concessions introduced by the UK, Welsh and Scottish Governments are provided in the 2020 edition of this *Briefing*.

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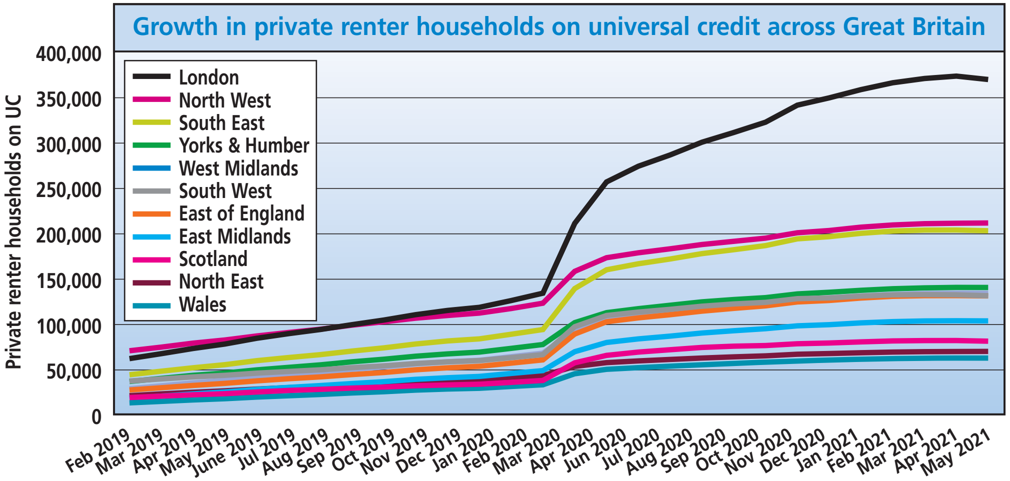
4 Stephens, G. (2021) 'Rishi Sunak's stamp duty holiday ruined my chances of getting on the property ladder', in *Sunday Times*, 27 June 2021.

How help for housing costs grew during the pandemic

Sam Lister

The pandemic has seen unprecedented numbers of workers claiming help with their rent as their incomes fell or disappeared. In the year to February 2021, benefit claims from working-age tenants rose by 990,000 to 4.68 million, of whom 2.91 million were claiming universal credit (UC). This total is 890,000 higher than the previous peak in February 2013. As at May 2021, numbers of private renters on UC more than doubled to 1.55 million, while numbers of social housing tenants rose by 56 per cent to 1.37 million. In January, the numbers of social renters on UC overtook those of working-age housing benefit (HB) claimants for the first time.



Source: DWP stat-xplore. Note: Comparable data not available for Northern Ireland.

When lockdowns began in March 2020, numbers of households on UC grew by 39 per cent in only a month. However, numbers receiving help with their rent rose by just 25 per cent, while those without a housing costs element, including homeowners, surged by 63 per cent. Just under half of all new claimants were aged under 35, suggesting that many were non-householders – living at home with parents or private renters who had surrendered their tenancy (or both).

Younger private renters may have been caught out by the local housing allowance (LHA) shared accommodation rate. Many new claimants have homes that are either too large or too expensive to have their rent fully covered. In May 2021 more than half of private renters (56 per cent) faced a shortfall between their rent and the LHA, with the biggest levels (61-68 per cent) in the devolved nations and northern England but far fewer (39 per cent) in London. This may be because the proportion of private renters who claim help is higher in less prosperous regions, whereas LHA covers only the bottom 30 per cent of the market. On the other hand, the difference between median and lower quartile private rents falls with distance from London (but the UC standard allowance does not) so shortfalls are more manageable.

Private renters aged under 35 who rent a one-bedroom flat in the East and South East of England face the greatest shortfalls and are most likely to get into difficulty. Many will have never expected to claim but must now cover the difference between the LHA rate for one-bedroom and for shared accommodation. In London this is around £460 a month, and in other high-pressure housing markets (e.g. Edinburgh, Cardiff, most of South East England) £200-400 per month.

Many tenants face new budgetary pressures when the £20 per week uplift in UC finally ends. But except for those in full-time work, households on legacy benefits never received the uplift. Since social tenants are more likely to be on legacy benefits, a higher proportion lost out on the uplift – 41 per cent of working-age social tenants who got help with their rent in May 2021, compared with 15 per cent of private tenants.

Tenants on UC who have been caught by the benefits cap may see no change once the uplift ends. The pandemic brought a very steep rise in numbers of capped households, by 257 per cent to 200,000 in the year to February 2021. The bulk of this rise occurred either at the start of the pandemic or from December 2020 (as the nine-month grace period for those who were previously working started to end). We expect that the number of capped households will fall sharply when the uplift is removed, as 69,500 households have been capped by £25 per week or less.

In 2020/21, UC spending on housing costs went up by £5 billion while total spending (UC and HB) exceeded £30 billion for the first time. UC housing costs are forecast to rise by a further £1.9 billion in 2021/22. This is driven by an increase in claims by childless households (201 per cent) as against that for households with children (57 per cent). But the reduced cost per claim that would otherwise result has been offset by the higher rents paid, with a particularly steep rise in claims from private tenants in London (see chart). This pattern is repeated for social tenants – but the gap with the other countries and regions is far less pronounced. If the government decides that the cost of the pandemic is to be paid for by a return to austerity and welfare cuts, then high levels of spending on support for housing costs make these an attractive target. This is a very worrying development for the housing sector.

Sources

Data are from DWP stat-xplore, ONS private rental market statistics, DWP housing benefit expenditure and caseload tables, and StatsWales private sector rents statistics.

Scotland prioritises affordable housing

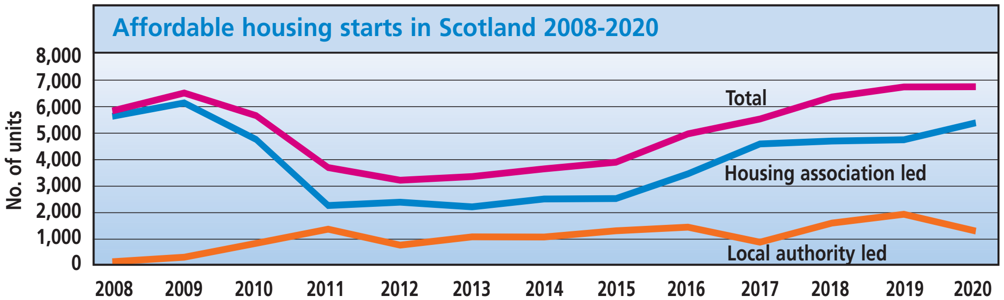
Mark Stephens

In May, the SNP won its fourth successive term in office since 2007, one seat short of an overall majority in the Holyrood Parliament. Shona Robison was appointed Cabinet Secretary for Social Justice, Housing and Local Government, taking over from Aileen Campbell who stood down at the election. Following a co-operation agreement with the Scottish Greens, the party's co-leader, Patrick Harvey, was appointed Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights. Tom Arthur has been appointed Minister for Public Finance, Planning and Community Wealth. He reports to the Finance Secretary, meaning that housing and planning have been placed under different Cabinet Secretaries.

We can expect continuity in housing policy. The target of building 50,000 affordable homes (35,000 of which were to be social rented) in the last parliament was stymied by the pandemic (see chart). Following reports by the Scottish Government's Post-Covid Housing Policy Circle and the Social Renewal Advisory Board, the SNP committed to continue with this high level of provision. However, the agreement with the Scottish Greens upped the affordable homes target by 10,000 to 110,000 units by 2032, whilst keeping the proportion of social rented dwellings at 70%.

The manifesto commits to funding of £3.5 billion within the 2021-26 parliament, and to legislate to ensure that a share of increases in land value arising from planning permissions are reinvested in the community, including affordable housing. The meaning of the latter proposal is not altogether clear, since section 75 agreements (similar to section 106 in England) already exist, although statistics on their use are not published.

The Scottish Government's agreement with the Greens commits to a Rented Sector Strategy to be published by the end of 2021, as part of a 'new deal for tenants', which will include a new regulator for the sector and greater restrictions on winter evictions. The commitment to 'an effective national system of rent controls with an appropriate mechanism to allow local authorities to introduce local measures' marks the biggest departure from previous policy, which was limited to making Rent Pressure Zones more effective. Legislation and its implementation is promised by the end of 2025, and is likely to be a major test for Scotland's largely consensual approach to the reform of private renting.



Source: Scottish Government Affordable Housing Supply Programme statistics.

The future of assisted homeownership is less clear. The Help to Buy scheme came to a rather abrupt end earlier this year, with the blame placed on the cut in financial transactions allocations by the UK government, used to fund the programme. A parallel scheme known as the First Home Fund, introduced in 2019, runs until March 2022. Eligibility is limited to first-time buyers but, in contrast to Help to Buy, both new and second-hand homes are covered. An interest-free equity loan of up to five per cent of the property value (capped at £25,000) is available. The scheme is now fully subscribed for 2021/22.

The SNP proposes to invest £1.6 billion to decarbonise home heating, and to require all new social rented homes to be zero emission by 2026. A Zero Emissions Social Housing Task Force is charged with advising on how the social sector can contribute towards net zero targets, and in the longer-term this will be extended to the private sector (homeownership as well as renting).

There are also (re)commitments to replacing night shelters with rapid rehousing welcome centres and a general adoption of Housing First principles (see p.11).

Finally, there is a commitment to 'reform' the council tax. This issue has haunted all administrations since the restoration of the parliament in 1999. The Scottish Government made some changes to band multipliers in the last parliament which made the system less regressive but, as in England, there has been no revaluation since the tax was introduced, so it is still calibrated on 1991 values.

The moratorium on evictions has come to an end in all areas of Scotland that are in the Covid Level 2 category or below – currently the whole country. However, arrangements have not returned to normal. Revised rules, applying until the end of March 2022, extend notice periods for up to six months. Further, most eviction grounds are discretionary (except for criminal or anti-social behaviour grounds), which means that landlords must demonstrate that it is reasonable to evict on the ground used. The ethos therefore remains one of eviction being a last resort, and social and private landlord groups have agreed statements to this effect with the Scottish Government. However, one might doubt how much influence private landlord representatives have over the sector.

The Scottish Government also announced a £10 million grant fund in June to support tenants having difficulty paying their rent. The operation of the fund has yet to be devised, but is meant to be available later in 2021.

The stamp duty holiday, introduced in response to the pandemic, was not renewed at the end of March, in contrast to England, and house prices promptly dipped.

Wales: no going back – but where next?

Matt Kennedy

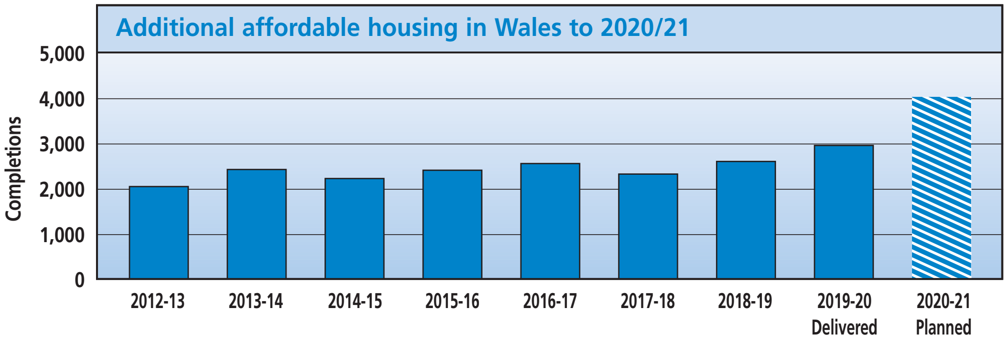
Last year's *Briefing* article on Wales reflected on how responding to the Covid-19 pandemic had slowed progress in some areas of housing policy. However, the Senedd election and subsequent programme for government have provided the space for fresh ambition around housing policy. When we consider efforts needed to support a Covid-19 recovery alongside the longer-term issues that interact with housing policy (such as poverty), and the need to realise the Senedd's lofty ambitions for housing supply and to address climate change – there are challenges aplenty that will test political will and stretch resources.

Following the election, the Welsh Government (WG) focussed firmly on climate change, with minister Julie James fronting a large portfolio which includes housing. A target to build 20,000 low carbon social homes headlined the housing commitments – flanked by a range of other housing-related promises, including a timber-based industrial strategy, decarbonisation of existing homes and a Welsh language community housing plan.

Another area the WG prioritised was second homes. This flowed from a wide-ranging report by Simon Brooks of Swansea University in March 2021,[1] and subsequent public outcry and political pressure in some areas. The minister announced a 'three-pronged' approach encompassing action on housing affordability, a regulatory framework including planning measures and a new holiday accommodation registration scheme with enhanced taxation powers for local authorities.[2]

The minister promised to maintain the progress made with housing homeless people. Despite that wish and £50 million of phase 2 homelessness funding announced in August 2020, there was some evidence of an increase in rough sleeping during the winter months. At the end of May 2021, there were 6,383 individuals in temporary accommodation (including 1,394 dependent children under 16).[3] Homelessness and the push towards accelerating the use of Housing First and rapid rehousing will undoubtedly feature heavily over the course of this sixth Senedd.

Performance on the delivery of affordable homes has continued to gain pace – 2019/20 saw 2,942 affordable homes delivered – bringing the total to 19,000 over four years, with another year of delivery still to be reported. If the projection for 2020/21 is realised that could see an unprecedented 4,000 homes delivered, easily surpassing the 20,000 affordable housing target (see chart), although caution is appropriate in relying on these forward projections. The uptick in supply is backed by record levels of funding – in 2021/22 WG investment will reach £250 million, almost four times the amount in 2015/16.



Source: Welsh Government affordable housing supply statistics.

To put this in context, the forecast output for 2020/21 is of the level required annually in the coming years: as the 2021 edition of the *Review* showed (Contemporary Issues Chapter 2), projections show a need for around 3,700-4,000 affordable units annually to 2023/24.

Decarbonisation continues to anchor the ambition of the sector in building new social housing at an accelerated pace. A stark analysis for the Future Generations Commissioner indicated that £15 billion (of which social housing's share is £5.5 billion) would need to be spent to retrofit the Welsh housing stock over this decade.[4] The WG Optimised Retrofit Programme was bolstered by an additional £10 million, bringing the total budget to £19.5 million for 2020/21, putting a huge funding responsibility on the social sector unless the budget is rapidly increased.

Building safety remains a prominent area of activity for governments across the UK (see page 14). In Wales this resulted in the WG's Safer Buildings in Wales white paper. It included pauses in the building process, with the ability to proceed contingent on the right evidence being produced; clearer responsibilities for ensuring and maintaining safety measures, and making greater use of tenant insights and expertise.

Providing greater security of tenure has been a feature of the temporary measures introduced during the pandemic, imposing a virtual ban on evictions. More permanent measures are included in the Renting Homes (Wales) (Amendment) Act, including an increase in the notice landlords must give tenants in the case of a 'no fault' eviction from two to six months – and introducing the condition that landlords cannot serve a notice of this kind in the first six months of a tenancy.

The WG set out its proposed action on racism in its race equality action plan ('An Anti-Racist Wales'). The plan includes housing as a priority area – from the representation of ethnic minority people on boards and at senior management levels within housing organisations through to addressing housing conditions – such as overcrowding – that disproportionately impact black, Asian and minority ethnic communities.[5]

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Housing policy in Northern Ireland to be transformed?

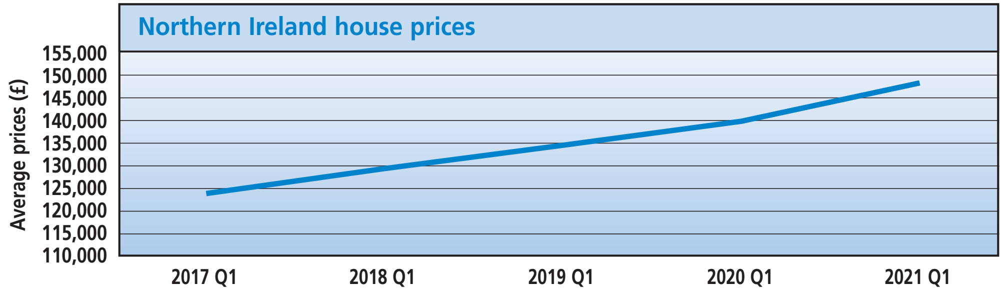
Heather Wilson

In November 2020, Northern Ireland's Minister for Communities announced that substantial changes lay ahead for housing policy. The most significant was the intention to reclassify the Northern Ireland Housing Executive (NIHE) landlord arm as a mutual or co-operative which would allow it to borrow outside public sector controls, invest in its homes and ultimately build again. The proposal was also seen as better promoting the involvement of tenants in their housing service as they would be integrated into its management. Although this high-level ambition to revitalise NIHE still lacks detail, its impact on housing in Northern Ireland (NI) could be significant, especially for applicants waiting for a social home. As it stands, the number of applicants has continued to rise with 43,971 on the waiting list in March 2021, and 30,288 of those considered to be in housing stress.

After a three-year political stalemate, compounded by restrictions on building work during the Covid-19 pandemic, the Department for Communities (DfC) announced that construction of 2,403 new social homes started in 2020/21 – a 30 per cent increase on the 1,850 target previously set by the NI Executive, although partly boosted by starts delayed by the early stages of the pandemic. In May, DfC allocated an additional £26 million for the Social Housing Development Programme for 2021/22.[1] While this is positive news, constraints such as land availability in areas of high housing demand, a lack of sewerage infrastructure and skills shortages all remain a barrier to increasing supply.

As is the case elsewhere in the UK the pandemic has had a surprising effect on the housing market. Despite the NI economy shrinking by ten per cent, house prices increased by six per cent in a year. Over the four years shown in the chart, prices rose almost 20 per cent while in the UK overall they rose by 15 per cent. Over the past 18 months there have been 22,000 2-3 bedroom property sales and 11,000 sales of houses of four bedrooms or more, increases of 22 per cent and 39 per cent respectively.[2] However, the ending of stamp duty relief in September will likely see a fall in demand for larger properties (see page 15). There are also fewer properties on the market in comparison to pre-pandemic levels, given the pandemic's effect on construction work.

The ongoing issue of the 'cliff edge' facing welfare recipients in NI is still not fully resolved. A mitigation scheme protects tenants from the benefit cap and bedroom tax that apply in England and Wales. However, gaps exist, currently impacting over 1,200 households, because a tenant has no protection from the bedroom tax if they have moved and currently under-occupy the property or if they were not in receipt of certain benefits in 2016. Despite a commitment in the New Decade, New Approach agreement which restored the Northern Ireland government after a three-year hiatus, legislation to close these gaps has yet to be tabled. While the delay continues, households are denied protection despite cross-party support for mitigation to cover all those affected. In the meantime, for these households the 'cliff edge' remains a real threat.



Source: Department of Finance Northern Ireland House Price Index.

The Private Tenancies (Coronavirus Modifications) Act (NI) 2020 temporarily required landlords to give tenants a 12-week notice-to-quit period. With the extended temporary notice period now applying until May 2022, the DfC also intends to legislate for a permanent, longer statutory period to strengthen security of tenure for private renters and increase the appeal of the NI private market.

Now similar in size to the social sector, and the only alternative to it for tenants facing homelessness, the private rented sector is due to undergo several reforms through the Private Tenancies Bill which is at the first stage of the legislative process. The bill would place restrictions on the frequency of rent increases, extend notice periods and introduce new regulations on standards of electrical safety and energy efficiency. However, it is unclear if the Bill will receive royal assent before the end of the Executive's current term in March 2022.

The degree to which the pandemic has fundamentally changed social policy in NI remains to be seen. One issue where a precedent has been set, as elsewhere in the UK, is the safeguarding of people who have found themselves homeless, together with changes in homelessness services themselves. NIHE worked together with the rest of the sector to ensure no person was left on the streets during the early days of the pandemic, by maximising the availability of temporary accommodation across NI. NIHE has since committed to protect the progress achieved through their new plan, The Way Home, where they restate the NI Homeless Strategy's aim of ending homelessness altogether. The plan says that '...during these unprecedented times, we've proven what can be done collaboratively. It is collaboratively that we will plot the route through this changed environment to identify long-term sustainable outcomes to the issue of homelessness.'[3]

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Updates to the 2021 Compendium of Tables

Gillian Young

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

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

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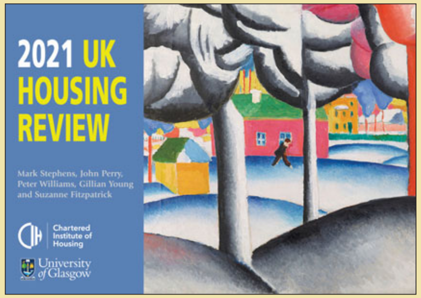
The ***UK Housing Review*** published each year provides a key resource for managers and policy-makers across the public and private housing sectors. It is now in its 29th year.

The ***UK Housing Review 2021 Briefing Paper*** updates key issues and data from this year's full ***Review***, focusing on these themes:

- *The economy and the effects of the pandemic*
- *The housing market, first-time buyers and tax incentives*
- *Affordable housing programmes and investment across the UK*
- *Housing affordability as incomes stagnate*
- *Handling evictions and rough sleeping during and after the pandemic*
- *Post-Grenfell remedial work to high-rise housing blocks*
- *Planning reforms*
- *Achieving zero carbon*
- *Increased take-up of benefits, and its consequences*
- *The levelling-up agenda*

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



The ***UK Housing Review 2021 Briefing Paper*** is available to download at www.cih.org

Tables from the full ***Review*** and recent updates to them are available on the UKHR website: www.ukhousingreview.org.uk

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