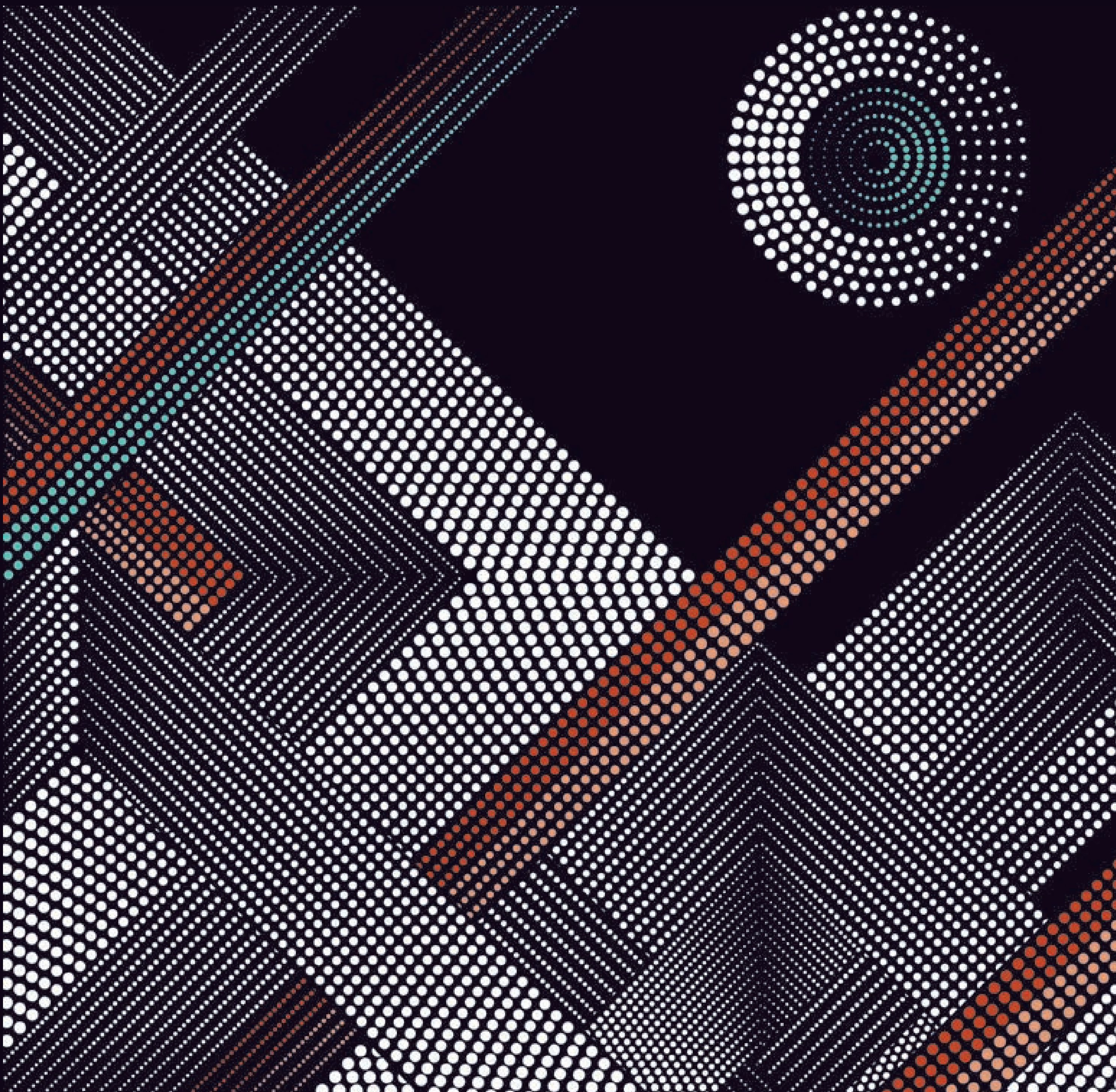
Raising the roof

APRIL 2018

Strategies for fixing a broken housing market



CIPFA The Chartered Institute of Public Finance & Accountancy

PF Perspectives

This is the seventh in a series of *PF Perspectives*, produced by CIPFA and *Public Finance*. They are designed to stimulate discussion on key public finance and policy issues. These essays, by leading public sector practitioners and experts, examine how to transform the housing landscape, and the role public housing can play in that process

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FOREWORD

ROB WHITEMAN
Chief executive of CIPFA

Two iconic images sum up the most extreme consequences of our dysfunctional housing system.

First, the burnt-out shell of Grenfell Tower, tragic testimony to decades of neglect of social housing and an institutional failure to listen to the voice of tenants.

Second, the growing numbers of rough sleepers on our streets. Homelessness, always a personal tragedy, is becoming increasingly normalised throughout the country.

These shameful developments – along with the generational inequality created by the shortage of affordable homes – have pushed housing high up the political agenda. And not before time.

Housing has been the single biggest policy failure of all governments over the past 30 years, significantly contributing to social discord and a breakdown in public trust.

The government acknowledged as much in last year's housing white paper, and the prime minister has pledged to make fixing the broken housing market her personal mission.

Extra support for social and supported housing, some easing of the housing revenue account borrowing cap and a pledge to build 300,000 homes a year are welcome steps.

But they are still a far cry from the radical measures required.

To truly transform the housing landscape – and guarantee decent homes for all – we need a renaissance in the supply of public housing.

As many in this *PF Perspectives* argue, local authorities are ready and willing to lead that revival, in partnership with housing associations and the private sector.

To do so though, they need far more support than the chancellor has so far offered, and the flexibility to respond to local demand.

All HRA borrowing caps – not just for "high affordability pressure" areas – should end, freeing up councils to borrow prudentially and invest in homes for the future.

The social housing green paper and the government's review of planning law must tackle many other constraints on building social and affordable homes.

Right to buy, which has contributed greatly to wiping out the supply of social housing, has surely run its course.

The need is too great, and the stakes are too high, to merely tinker round the edges. There can be no more missed housing targets, and no more excuses.

We owe it to those so badly let down by the current system, and to future generations, to take urgent action now.

The message to ministers is simple. The market is broke. And, yes, we do need to fix it. This essay collection is all about the how.

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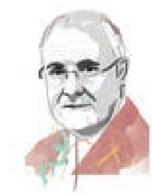

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A NEW LANDSCAPE

Unfinished business

ESSAY

BY SIR MICHAEL LYONS

The government claims it wants to create sufficient homes for all. It's time to turn these words into deeds

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Sir Michael Lyons is chair of the English Cities Fund and a former chair of the BBC Trust. He headed the Lyons Housing Commission in 2014, and spent 17 years running local authorities

IN A MODERN, relatively wealthy society, everyone should have the right to a safe and secure home. Yet all the evidence – not least the dramatic increase in people sleeping rough on our streets – demonstrates that this need is still a long way from being met.

The horror of the Grenfell Tower disaster and the difficulties experienced in rehousing the survivors are a further graphic illustration of why we need to focus on providing housing for all. We must separate the widespread aspiration for home ownership from the more compelling need to ensure everyone has access to reasonable housing choices.

The problem extends beyond these basic issues. Ever since Charles Booth began mapping poverty in London in 1886, we have understood the link between poor housing, ill health and weaker public health. Raising educational standards requires secure homes in stable communities. And economic prosperity is threatened if young, talented people cannot find suitable, affordable homes. Promising affordable home ownership for all – when we have no way of providing the quantity required – also risks alienating our children and grandchildren.

These concerns underpin the heightened debate about housing in recent years. Unfortunately, that debate has too often seemed preoccupied with the failing ambition to extend home ownership and getting on the property ladder. This, for me, focuses too much on homes as assets rather than as the centre of family life – whatever shape that might take. It's time to get back to ensuring everyone has access to a decent home.

So how might that be done? During a recent *Today* programme, John Humphrys mused over whether the appointment of a cabinet minister for housing in the prime minister's reshuffle would make any difference to an apparently intractable problem. I doubt he is alone in having those doubts. Ministerial claims over housebuilding get ever more inflated, with a veritable blizzard of new housing initiatives announced each year, many never to be implemented – remember George Osborne's promise of 200,000 starter homes by 2020? Reinventing ministerial or departmental job titles does not alter that fact.

Meanwhile, the number of new homes built each year is not even securely at the bottom end of the 225,000-270,000 annual target identified in last year's housing white paper. Although supply has improved, it has yet to get back to 2007 levels. The government has made progress on a number of fronts – and has pledged to create 300,000 new homes a year – but genuine doubts remain over whether even current figures can be maintained.

While both rents and house prices continue to rise faster than earnings, we have the lowest level of new social housing completions on record and homelessness is up by 65% since 2010. Against this background, the pomp-filled memorial service for the victims of the Grenfell Tower tragedy struck a discordant note; it took place six months after the fire, during which time we have failed to house most of the survivors or take steps to protect lives at risk in other blocks, despite promises to do both.

Notwithstanding a shift in tone, this government, like its predecessors over the past 30 years, is preoccupied with home ownership rather than housing for all, and focuses most of its attention on supporting a relatively small, usually well-heeled number of house buyers. This despite the strong evidence that a large, sustained programme of social and truly affordable homes would improve the housing prospects of many families and help strengthen the supply chain for the whole sector, countering the regular destructive recessions in housebuilding that make it unattractive to many patient investors and young people choosing careers.

The 2014 housing review that I chaired stressed the need for more ambition in the supply of new homes. It drew attention to the fact that, within living memory (1952-78), we built more than 250,000 homes a year for a population only 85% the size of our current one. Notably, this happened only when there was a cross-party commitment to homes for all and the public sector was fully engaged in the task. Our work emphasised the importance of a comprehensive housing strategy that mobilises everyone, including volume house builders, housing associations, local government and institutional investors in building homes to rent. In summary – less emphasis on building homes for sale.

How are we doing?

Despite a considerable improvement in the supply of new homes since the trough of spring 2009, we have yet to get back to the level achieved in 2007, and remain some way short of the 250,000 needed annually to make an impact on rent and house price inflation. New build completions totalled 183,570 in the last financial year.

Ministers prefer to focus on the net additional dwellings figure, which reflects the number of conversions and homes brought back into use and, arguably, displays a more accurate picture of housing supply. The NAD figure of 217,345 for 2016-17 is a significant improvement against the 2009 base, although it is still short of the 223,534 achieved in 2007-08. However, these figures are flattered by the government's controversial decision to relax planning controls on the conversion of offices to dwellings; inevitably, there is a limit to the number of conversions possible in future years.

More generally, the government has undoubtedly focused increased attention on the issue of housing supply. Theresa May's declared commitment to an economy that "works for everyone" has begun to challenge the assumption that it is enough to build only for sale. Indeed, in the run-up to the 2017 autumn Budget, delivered in the shadow of the Grenfell disaster, there was much discussion of a return to social housing, with new freedoms for local authorities and housing associations.

In the event, the Budget was a classic curate's egg, promising much but short on delivery. Billed as the "housing budget", it promised £44bn for housing initiatives. However only £15bn of that was new money, and there was no sign of the £50bn new housing fund suggested by secretary of state Sajid Javid.

There were additional funds for housing infrastructure and measures to support housebuilders, especially small and medium-sized enterprises; there were also some tweaks to universal credit to help people pay their rent and there were changes to the rent cap for housing association and council homes. Potentially, the most important measure for housing associations was the chancellor's promise to restore their non-public sector status, so excluding their combined expenditure from the public sector borrowing requirement.

However, the most eye-catching initiative was firmly targeted at home ownership: the abolition of stamp duty on properties worth up to £300,000 and on the first £300,000 of homes worth up to £500,000. By comparison, the promised rediscovery of social housing received scant attention – a pledge to lift council borrowing caps in "high demand areas", and just £2bn to support new social housing. These are mere baby steps after seven years of no government support for social housing, even though £7bn a year is needed to provide social rented homes to all those who need it, according to Savills property consultancy.

The Office for Budget Responsibility appeared to share the sense of disappointment across the housing sector when it decided not to increase its estimate of housing supply to match the chancellor's predictions of 300,000 a year by the mid-2020s, preferring instead to keep its judgment "under review". It seems the OBR, like many others, has got used to discounting ministerial promises.

> 'It seems the OBR, like many others, has got used to discounting ministerial promises on housing'

Maintaining momentum

Nonetheless, the 2016 white paper did seem to represent a move away from a narrow preoccupation with building homes for sale to a much broader, comprehensive approach. It included many of the key components we had identified in the Lyons housing review. It's worth reviewing some of them here.

- **Volume builders**

  Volume housebuilders remain at the heart of housing supply; they have built the lion's share of new homes in recent years, increasing their capacity since the recession. Our ▶

top 10 housebuilders have been responsible for 60% of all new builds and have adopted a wider range of construction techniques. However, their achievements have been marred by controversies about rewards for executives and shareholders; and some of the largest housebuilders are wary about the future, knowing the risks they run if there is a sudden downturn.

An important part of their recovery has been government support in the form of help to buy, which has probably supported 25% or 30% of all new home purchases since 2010. Designed to underpin confidence among buyers and builders, help to buy has been expanded and extended to 2021. The big questions are: can or should it be extended thereafter – and what would be the results if it were withdrawn?

- **Land and planning**

The success of volume builders has been underpinned by a strong land market, with most builders able to secure the land they need. This ready supply has been aided by rising land prices, reflecting increases in house prices.

The increased supply of land is also due to the National Policy Planning Framework, and a strengthened focus on local authority plans that make adequate provision for future housing needs. These plans still cover less than half the country but the direction of travel has been clearly signalled.

Land availability is also bound up with planning permission, which has long been the bete noire of developers and housebuilders. Planning controls have undoubtedly improved in recent years and new permissions are running well ahead of housing starts.

Concerns remain, though, about the time taken to open new sites. Whether this is due to overly detailed control by planning departments, pressures on their resources or tensions inherent in negotiating costs remains unclear.

> ‘The key question is how far housing associations can maintain their emphasis on social and truly affordable housing’

- **Housing associations**

One sector that has grown considerably has been housing associations. The National Housing Federation estimates they have been responsible for 80,000 new homes in the past two years. This is likely to increase given the government’s greater focus on the sector’s importance and the lifting of the threat of an enforced extension of right to buy. The commitment to redefine them as private sector organisations – and so remove them from the public sector borrowing requirement – is the single biggest recent fiscal change. Housing associations have proved particularly adept at raising long-term capital for further development. The key question is the extent to which the sector can maintain its traditional emphasis on social and truly affordable housing and restrict the building of homes for sale and higher rents solely for cross subsidy. There are fears that larger housing associations may increasingly become market-led organisations, directly competing with mainstream housebuilders for both land and capital without contributing adequately to the mix of tenures that is sorely needed.

- **Build to rent**

The 2016 white paper gave strong support to build to rent development by both housing associations and institutional investors. Build to rent can enable faster development of housing sites because it does not rely on the rate of sale. It can also offer longer term, more secure tenancies, as well as stronger estate management. It is estimated that 4,000 homes, specifically built to rent, were completed in 2016 and indications are that this is a growing part of new housing supply, with major institutional investors looking to modern manufacturing methods to increase the speed at which homes can be built as part of their model.

- **Development partnerships**

Our 2014 housing review emphasised the potential contribution that could be made by partnerships between landowners, including public sector agencies, and construction and housing companies. Subsequent years have seen some successful developments and the government’s decision to refocus (and rename) the Homes & Communities Agency reflects a desire to facilitate a wider range of partnership developments, as well as more muscular interventions on behalf of the government itself. New leadership reinforces this impression, as does early news that the Homes Agency has threatened to use new compulsory purchase powers against a private landowner to progress a stalled 3,000-home development in Oxfordshire.

The way ahead

So, progress has been made in strengthening housing supply and there are some auspicious signs of change. There are equally reasons for concern on all fronts. Government actions don't yet add up to the ambitious plans of its own white paper. What more can be done?

We have indicated before, in both our original housing review and a follow-up publication last year, how many of these aspirations might be realised. Let me add three further suggestions here.

First, there are some important gains to be made from focusing policy on the housing needs of older citizens – those we might call "last time buyers". This may seem perverse when the pressing problem appears to be young people unable to set up their own homes. However, there is a compelling case for providing greater assistance for people aged over 60 or 70 years looking to find accommodation more suited to their stage in life.

Half of all older households live in homes larger than they need, and a similar proportion are interested in moving. However, only 9% have done so in the past three years. As a nation, our track record in building for this part of the population is woeful; Joseph Rowntree Foundation research shows there is only enough specialist housing to accommodate 5% of the over-65 population. Addressing this need would release capital and property – as well as contribute to easing the crisis in social care.

A second area that is underestimated is the potential role of local government in addressing the housing crisis. Councils currently contribute about 2% of new homes, compared to half when housebuilding levels were at 250,000 per year. Yet local government has an appetite to become much more directly involved in this national challenge. There are shining examples – notably Milton Keynes – of authorities energetically reshaping existing housing, increasing density and providing a range of tenures. Some 44% of councils have set up housing companies and many are investing directly in land and property, thereby securing an income stream for the future.

Encouraging these initiatives requires a bold move. The Treasury select committee surprised many recently by recommending removing the cap from all housing revenue accounts; hopefully, this is a clear signal to local authorities that this government truly welcomes their vigorous return to housebuilding. Equally positive would be a rethink on right to buy. This has had a damaging effect on local government housing investment, including partnership ventures. More than 40% of homes bought under right to buy are reported to be in the private rented sector now, and the proportion is increasing by 7% a year.

Much of this housing is among the worst quality and worst managed of all housing stock, and is often overcrowded – a far cry from the original vision of council home ownership, intended to bring stability, investment and wider benefits. Wales has now decided to abolish the right to buy. Perhaps Theresa May's government, committed to radical solutions to the housing crisis, might follow suit?

My third suggestion concerns housing investment and how we might fund Javid's proposed £50bn housing fund. The Labour Party has committed itself to exploring a land value tax and there are many advocates of that. This would be a radical intervention with scope for major revenue generation, but also with substantial unintended consequences; such as a likely famine of land available for purchase, unless the tax was coupled with radical CPO powers. Governments have shown consistent timidity in asking for more from those who gain from increasing land prices. Tony Blair may now be enthusiastic about the land value tax proposition but, in office, he found even the revaluation of council tax too big a step to take.

A more modest first step might be to focus again on securing a higher proportion of the value created in the granting of planning permission. The highly concentrated ownership of land in this country means there is no doubt who the beneficiaries are from our chronic undersupply of homes, and the consequent rises in house prices and rents. Recent Office for National Statistics figures show that landowners have enjoyed the country's largest yearly increase in national wealth on record. The UK's wealth rose by £803bn during 2016, driven by a sharp increase in the value of land.

It is surely time to take a bigger proportion of the gain achieved at the point of development, when the value of a plot can increase by a factor of 1,000-fold and more. Using these monies to fund a national programme of social house building would be a legacy for a government to be proud of – and really justify the claim to be making this a nation that cares for all its citizens. ●

Additional information provided by Neal Hudson of Resi-Analysts

'Governments have shown consistent timidity in asking for more from those who gain from increasing land prices'

Back to a new future

ESSAY

BY JANICE MORPHET

Many councils are returning to a direct role in local housing provision. This means grappling with planning issues and new forms of local authority ownership

THE PROVISION OF housing has always been at the heart of what local authorities do. Housing is the link between place and wellbeing – the two fundamentals that underpin the role of local government. Without a role in housing provision, local authorities can feel they are only operating at half their capacity.

Building new housing was one of the first responsibilities the government gave local authorities after the Boer War; council housebuilding was supported again after the first and second world wars. When responsibility and funding for direct housing provision was removed in 1980 – as a result of both ideology and World Trade Organization procurement agreements – many councils felt they had lost their main purpose.

Later attempts to develop the role of councillors, following the 1998 local government white paper, always left unanswered the question: why can't we engage in housing provision again?

The relevance of this question has become ever clearer as successive governments have sought to address a shortage of housing through inducements to the private sector, most recently through significant subsidies via help to buy schemes. Yet even the government's own housing white paper acknowledged that, whatever incentives were given to private sector housebuilders, it was unlikely their completion rates would significantly increase.

After all, there is no requirement on any housebuilder or development company to build a single house – their responsibility is to provide a return to their shareholders. At the local level, this realisation has become a political reality and is now stimulating action. Many local authorities have started to build housing again. What has been the specific motivation for this and how are local authorities now able to do it?

Local authorities are getting involved in directly providing homes for many reasons. Research I have undertaken with Ben Clifford of University College London, on behalf of the National Planning Forum and the Royal Town Planning Institute, investigated the motivations behind this emerging engagement with housing provision, as well as the means of delivery and some indication of the barriers.

In making the local case for housing provision, local authorities frequently cited a mix of two or three reasons. At the top of the list of factors they identified was the importance of meeting housing need in a direct way.

Councils have increasingly found that granting planning permission for housing to developers and land agents does not guarantee implementation – and, more fundamentally, does not necessarily provide the type of housing that is most needed in any area. The requirement for local plans to provide five to seven years' supply of land for housing has always been interpreted as providing for the housing market rather than being geared to meeting housing need. While local plans can now be drafted to allow a specific link between housing sites and housing types – including for older people, families and social rent – few local authorities have started to use this detailed definition, and even fewer have included this approach in adopted local plans.

The second main motivation cited by local authorities for providing housing directly is homelessness. This has been on the increase, particularly as a result of landlord behaviour.

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__Dr Janice Morphet__ is visiting professor at the Bartlett School of Planning at University College London, and a CABE built environment expert

In the past, homelessness was primarily related to family breakup, but now families in rented accommodation can have their tenancies ended for no reason other than landlords wanting to increase rent levels by letting to different types of household.

Homelessness is a significant cost on any local authority budget, both in providing temporary accommodation and in supporting families who are homeless. It disrupts the lives of children and makes it hard for them to succeed at school. In response, many councils are buying housing on the open market to meet these needs while others are purchasing bed and breakfast hostels or building their own accommodation for homeless people. Some are purchasing housing off plan from developers and, in rural areas, councils are buying homes in new developments to meet local needs which they could not otherwise achieve.

Councillors have become tired of the constant budget cuts because of austerity and want to engage in more positive activity. There is support on the doorstep, and in councillors' surgeries, for local authorities to engage in housing provision. It is making councillors and their staff feel more positive about their role in dealing with these issues.

However, councils have other major concerns to grapple with. In 2020, after a prolonged period of budget reductions, the government's revenue support grant will be removed. While local authorities have been promised the retention of business rates, this is not a source of income they can rely on for the future delivery of services – particularly given their experience of central government's centralising tendencies and delays in making decisions. Local authorities need regular, reliable income streams that are within their own control and can increase with inflation over time.

'Granting planning permission to developers and land agents does not guarantee implementation, nor the type of housing that is most needed'

Best laid plans

The direct provision of housing for social, affordable and market rent is offering a way forward. Some councils have a long history of engaging in joint ventures for regeneration and one approach has been to increase the relative proportion of housing in these schemes. Councils have also entered into partnerships with housing associations, where they have provided land or funding. Now councils are increasingly adding wholly owned housing companies to their repertoire. This gives them greater control over their tenant mix and allows them to use their assets both for investment and to generate future income.

Other reasons given by local authorities for their involvement in providing homes relate to the behaviour of private sector developers. Councils have worked hard to designate housing sites in their local plans, frequently in the face of local opposition. They have also – at the government's behest – granted more planning permissions for homes, only to find that developers are not building them.

Developers are only building to match sales rates, which may amount to only 30-50 homes a year. Many planning consents, perhaps 50%, are obtained by land agents seeking to sell their permitted sites to a developer. However, these sales may not go ahead, so many planning permissions are left unimplemented. In other cases, sites designated for housing in the local plan may not generate any planning applications, and are regarded as stalled in the system despite local authority efforts to move them into delivery.

Another major issue arises for local authorities when planning permission has been granted, but developers quickly return to argue that their sites are less viable than initially anticipated. They insist that they need a reduction in contributions, including to affordable housing, or work on the development will not start. This creates local political tension where social infrastructure to accompany a new housing development – and expected by the community as well as promised by councillors – can no longer be delivered.

Some authorities are countering this with overage clauses in section 106 agreements, so that there can be a council clawback based on recorded sale prices but this is not yet common practice. In locations where the five-year land supply may have planning permissions, developers frequently argue that the sites are not viable at all and that other sites – not in the local plan and often on greenfield sites – should be given consent for low density, high-end housing. This leads councils into expensive planning appeals that often challenge the local plan only a couple of months after it has been adopted.

These practices have made councillors uncertain about what they can promise their communities when it comes to private sector housing delivery. Planning consent cannot guarantee housing is delivered at any pace or scale or, in some cases, at all. Neighbourhood plans have increased housing sites in some areas but there is still no evidence that these sites are developed more quickly.

Councils have started to engage directly with developers on these issues, including stalled sites and unimplemented consents. When these negotiations fail to produce the homes required, councils have been trying other means. ▸

Some have been twin-tracking the preparation of supplementary planning guidance with the issuing of compulsory purchase orders, to engage landowners in a more formal way. This has had some unexpected consequences; for example, where banks have been found to have a charge on a site, and have supported local authorities in attempting to move them into development. On some sites, there are charges on the land from HMRC, which has led to useful relationships being formed to help progress development.

Where councils are using compulsory purchase orders, some have pre-agreed arrangements with developers or institutional investors to buy the land in back-to-back deals, reducing risk and supporting the funding of the process. Councils are also using CPOs to assemble sites for development in town centres and elsewhere where action would otherwise not be easy to achieve.

Housing companies

Faced with these many challenges, local authorities are establishing wholly owned housing companies in a variety of forms. The approach taken depends on the needs they want to address. Some are setting up umbrella companies that engage in joint ventures, direct provision of homes and housing acquisition. Others have created multiple companies that undertake distinct roles. Another approach has been to establish an umbrella organisation that carries out multiple activities, including long-term property management.

Wholly owned housing companies have been set up where housing associations will no longer take social and affordable homes provided under section 106 agreements, leaving the council to manage them directly. Our research found that wholly owned housing companies have most frequently been established in local authorities with HRA-funded housing, but are fast spreading to those where stock has been transferred.

Some councils recognise attractive market housing is needed to retain students who, having been housed in purpose-built accommodation, find that after graduation they are not able to find suitable housing in the area.

Many councils have spoken of the role of homes in place-making, using their own housing schemes to change perceptions of their localities. Where they do not have the in-house skills for housing development, these are being bought in from the private sector in the short term. In the longer term, capacity is being developed through recruitment and development-funded apprenticeships for surveyors, planners and other building professionals. Wholly owned housing companies are buying support from the local authority, using service levels agreements for planning, property, financial and legal advice.

How are local authorities funding this housing activity? We found that this was primarily through their own funds and land, further supported by loans from the public works loan board that are passed to wholly owned housing companies at a margin. State aid rules may apply but vary, depending on the purpose and tenure of individual developments. Some councils are using a specialist hedge fund, others a bank – and another a 50% share in a development fund – to finance these projects. Another local authority has not put any funds into some developments, instead offering its good name and credit rating as the basis for a partnership with the private sector. Some councils have come together to raise bonds or funds from institutional investors or developers.

What are the barriers? These seem to be about uncertainty, internal culture within the local authority and a lack of skills, land or finance. Apart from land, these can all be overcome. A stronger statement by the government on the role of local authorities providing housing would do much to alleviate councils' uncertainty about their powers and role.

This quiet and surprising revolution in local authority engagement with housing provision is now being recognised. This is not a top-down, one size fits all approach to delivery. It is being developed in ways that address local issues and problems, applying methods that draw on each council's experience and their learning from similar authorities. Typically, councils start with one initiative to address a problem. Once this has been successful, confidence grows to tackle more issues.

Local authority wholly owned housing companies are not yet producing large numbers of homes, but they may do so in the future. It takes about two years for these companies to get a first development on site, but this compares favourably with up to four years for joint ventures– and up to seven for PFI projects. Other factors, such as open plan offices, are playing their part in breaking down professional silos, while austerity has generated a more innovative approach to problem solving.

Councils, it seems, are increasingly making use of local solutions to contribute to a shared national outcome – that of providing more housing to meet people's needs, right across the country. ●

> 'Housing companies give councils greater control over tenant mix and allow them to use their assets to generate future income and investment'

Better together

ESSAY

BY NATALIE ELPHICKE

Successful housing development involves using the distinctive qualities of the private and public sectors. Here's how it's done

WHAT TYPE OF finance is best for delivering the housing regeneration and renewal that we urgently need – public or private? The answer, of course, is both. Harnessing the best of the public and private sectors achieves much more than can be done by either of them working alone.

The risks and rewards of regeneration vary a great deal across the country. Regeneration of the Aylesbury estate in Southwark is a completely different proposition from that carried out on the Lillington estate in Leamington Spa. The place-based refurbishment of empty street properties in Stoke-on-Trent is totally different from that needed to address coastal community challenges in a concentration of poor-quality private rented homes in, say, Blackpool or Jaywick Sands in Essex.

Everywhere is different. Yet, whether estate based or place based, whether it involves rebuilding exhausted concrete towers or repairing streets of terraced houses, public sector leadership and direct intervention is required, coupled with investment from the public and private sectors alike.

So how do we get the balance right between risk and reward? There are three key principles to bear in mind.

First, that using public sector money at the right time can unlock private sector investment. Second, that the private sector has distinctive qualities which can create additional value for the public sector – and vice versa. And, third, that the private sector is increasingly prepared to invest for the longer term.

Let's examine each of these in turn.

All in the timing

Putting public money in early is often the best way to secure best value for the public sector – particularly when it comes to complex sites.

A good example is The Mill at Canton in Cardiff, where innovative arrangements have been used that are leading the way in brownfield regeneration. From the outset, a not-for-profit development company was set up with the Welsh Government as a partner. Rather than selling the land to the development company, perhaps at a loss, and relying on a later profit share, the Welsh Government provided a loan to the company.

This enabled the development company to remediate the site under a development licence. The added value for the land was then assessed and detailed work was done on developing plans for new homes. As a result, the Welsh Government secured better value for its land as well as getting all its money back.

Plus, having successfully de-risked the site for building, the development company was able to secure more cost-effective finance to build out the site. It would have been a different story if private sector finance was expected to take the risk of remediation and negative land value, as well as take on board the development risk.

This approach enabled a non-viable site to become viable, allowing a high number of affordable homes to be provided. This partnership approach is seeing two new sites being brought forward in different parts of Wales, and creating institutional investment interest. ▸

Natalie Elphicke is chief executive of the Housing & Finance Institute

In some areas, there is a greater need for upfront public investment than in others. The high-quality rural village regeneration of Kibblesworth near Gateshead is a good example of what can be achieved with public investment.

Two-tier authorities can also work together to target funding that supports change. Essex County Council and Kent County Council have played important roles in providing advance funding and support for housing renewal in Jaywick and Thanet respectively.

Different skill sets

The value of money is more than the price of the interest paid on it. The private sector can add specialist skills and experience when it comes to the structuring and delivery of new homes. It can also bring extra capacity and undertake detailed due diligence.

Plus, diversification of funding makes the housing market more resilient to both market and political change. This makes it more likely that new housing developments can be supported throughout the ups and downs of the financial and political cycles.

There are also clear benefits for the private sector from working with the public sector on regeneration. The public sector has special powers, and an in-depth knowledge about an area – and is in a position to make the local case for change. It can also harness the support of other public sector bodies as well as organisations such as utility companies.

An increasing number of specialist regeneration companies and investment funds are active in this field. They prioritise working with councils and residents to create social value as well as property value over the longer term.

However, central government, devolved administrations and organisations such as Homes England can also provide seed funding and long-term capital alongside that supplied by the private sector.

Such a collaborative approach can bring continued financial benefit together with greater social and community returns. This responsible partner – and collaborative investor – approach underpins much of the modern thinking that guides councils and businesses alike when contemplating new housing developments.

The long view

One of the priorities for the next period is to improve how we calculate the longer-term benefits for the public sector from housing regeneration and renewal, using social value methodology to do this. Another is to enable greater pooling of public sector funds across different areas – as well as making it easier for councils to use their powers in one place.

In past decades, national estate regeneration programmes began to develop social value as well as property improvement outcomes. Examples include the methodologies used by the New Deal for Communities. This approach recognised that the social and financial benefits of regeneration are complex, inter-related and accumulate over time. It demonstrated there is a positive impact on public expenditure across the board (be it welfare, education or the local economy) as a result of successful regeneration project delivery.

This early work was the precursor of the current social value approaches for evaluating regeneration. However, the tools that were applied to demonstrate the creation of social value over time were underdeveloped.

Nowadays, many successful place-based partnerships use a social and financial value methodology to demonstrate outcomes. However, this kind of methodology has further to evolve if it is to become a robust basis for independent social value investment in housing.

There also needs to be wider recognition that more homes mean more council tax revenue – and that there is added value for local authorities in that.

Meanwhile, allowing greater pooling of public sector funds across different areas would enable co-investment and co-development across a region, rather than simply in one local authority area. Greater Manchester has been leading the way in this respect; other areas are looking for opportunities to follow suit.

Finally, we need to make it easier for councils to use their powers in one place. The Housing & Finance Institute has been calling for new market renewal powers for councils. These would give councils a greater ability to invest in and improve their areas, by creating a one stop shop for market renewal areas that would cover everything from planning to enforcement.

In 2018, housing regeneration and renewal is as important as it ever has been. And it's not just about the money. It's about the public and private sectors successfully working together, and the whole being greater than the sum of the parts.

With new tools, approaches and powers, stronger partnerships can be forged to create amazing places for the future that will stand the test of time. ●

'Diversification of funding makes the housing market more resilient to market and political change'

Held to account

ESSAY

BY KEN LEE

Investment in social housing is vital for economic sustainability. The housing revenue account must demonstrate this

THE HOUSING REVENUE ACCOUNT is a creature of statute and, as such, is often subject to the whims of national politicians. It has been used to try to influence – and sometimes impose – the government's will at the expense of local housing needs. It certainly does not always conform to the expectations of the accountancy world.

Introduced in 1935, the HRA brought together several accounts that housing authorities were required to maintain. These dealt with a series of government housing initiatives delivered by councils, including the famous "homes fit for heroes" scheme. All these schemes were provided with a small government subsidy to make up the shortfall between the cost of providing the housing and the income from rents and the authority's general ratepayers.

This subsidy reflected a generally held view that housing, like education and health, was a basic right for all. However, over time, the subsidy system used to support local housing became a means to limit resources available for homes. It imposed revenue and capital spending controls, and a form of rent control – and even raised the spectre of all properties' rents being centrally determined by the government.

Self-financing with strings

The move six years ago to a self-financing HRA system for housing authorities still responsible for council homes did appear to be an acknowledgement that control should be local once again. For the first time in generations, local housing authorities were able to retain all the money they received in rent to plan and provide services for their tenants.

However, government welfare reforms, changes to rent guidelines and, above all, enforced rent reductions for four years demonstrated that not everyone at the centre of government had bought into this shift in thinking.

Self-financing provided an opportunity for charting a way forward, once again allowing local solutions to local housing issues. After all, the problems of London are not the same as those of Newcastle; one size does not and cannot fit all. For a brief period, councils considered how they could respond to local housing needs. The plethora of development and building companies now in evidence – demonstrated in research by both the Bartlett School of Planning at University College London and by Savills – show that, despite Whitehall interference, they are ready to take up the challenge.

No longer are local authorities looking to supply large monotenure housing estates; they are designing mixed-tenure developments. These includes some properties for outright sale and some for shared ownership, with a mix of homes to let at market rents, affordable rents and, importantly, social rents. While others – including a few housing associations – appear wedded to a notion of affordable housing that is anything but affordable for many people, councils are recognising that escalating homelessness demands more homes for social rent.

Government tinkering with the fundamentals of self-financing has, however, endangered the viability of this approach. It should not be forgotten that the Treasury has gained a significant slug of cash from this process, and some debt-free local authorities ▶

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Ken Lee *is chair of CIPFA's Housing Panel and has been a housing finance adviser to several national bodies*

> 'We seem to be locked into a mindset that sees building public housing as a drain on national resources that hinders the market'

have, reluctantly, found themselves taking on large loans. Yet despite these challenges, councils have continued to respond to housing needs in their areas. Encouraging local ownership of housing need has to be accepted as the way forward, along with acceptance that self-financing HRAs mean just that.

Since the 1980s, the number of homes available at social rents has continued to decrease, mainly through right to buy. Attempts to replace homes that have been sold seem to be failing; even where there are replacements, they are not let out at truly affordable rents. There is no doubt that right to buy has encouraged home ownership and diversification of council estates, but it has also spawned an increase in "accidental landlords" – costing the national purse heavily in terms of benefit support to the private rented sector – due to former council homes being let out privately.

There has also been an interesting effect, over time, on the quality of local housing. It used to be the case that you could walk around a council housing estate and point out the sold properties, as they were the ones that looked cared for. New owners were rightly proud of their homes and demonstrated this by making them stand out. Nowadays, thanks to the impact of the decent homes programme and self-financing on social housing, you are more likely to spot the sold, ex-RTB properties – many of them now privately rented – because of their state of disrepair.

If right to buy is to genuinely help renters make a step on the property ladder, it must not be at the expense of others. Ensuring that properties are not sold without reference to their value and outstanding debts – and the cost of providing replacement social rented property – is essential. No one cap fits all in this respect, which suggests we need to look for more local solutions.

Investment in social housing over the years, especially between the Second World War and the 1970s, not only provided homes for a significant proportion of the population but also meant that cities, towns and villages were developed with housing opportunities for all. All this was accepted as necessary, and significant investment was funded from borrowing. This was not seen as borrowing for which the general taxpayer was liable but as a long-term investment, covered by rental income.

I remember the days of 60-year loans for new build, enabling significantly lower rents. Local civic pride ensured this was seen as a "community investment", not a national burden. The subsequent steep house price inflation has shown what a wise investment this was.

However, unlike in many other countries, we now seem to be locked into a mindset that sees building public housing as a drain on national resources that hinders the market and should be avoided at all cost. Even the most recent government announcements, despite supposedly giving social housing a green light, are mainly about "affordable" housing that is largely unaffordable.

This is no way to address the current housing crisis. Private sector builders have increased outputs in response to all the incentives that have been put their way, but the numbers are disappointing. In addition, some of the benefits seem to have gone to individuals associated with these companies, rather than into new homes.

Freedom to use the code

Now is the time to allow local authorities the freedom to use the revised prudential code to control spending on housing, rather than the government imposing an artificial debt cap based on outdated assumptions about income and spending.

After all, many authorities are using the discipline of the code to build via their development companies. This is based on income from the new assets being sufficient to meet the new borrowing financing costs. This principle gained some additional credibility when the chancellor indicated in his autumn Budget that he is prepared to allow extra borrowing approval; making a £1bn increased debt cap available in high demand areas.

In the past, the Treasury has allowed authorities to bid for extra borrowing, but most authorities did not take up the option as the conditions attached to it were too onerous. It is to be hoped that this lesson has been learnt. Alternatively, the value of the social housing stock could be used as collateral to justify borrowing, as happens in businesses – and new accounting reporting standards seem to support this.

Either way, expanding councils' spending capacity would ease the path to build the much-needed social rented properties that require HRA funding – and which other initiatives have so far not really enabled. Returning to seeing social housing as an investment in communities rather than a burden on society would be part of the answer to tackling the chronic shortage of accommodation.

In addition, applying proper accounting rules to the HRA – perhaps even giving it its own balance sheet – would demonstrate these local assets are being used positively to provide for the local communities they serve. Removing statutory definitions and secretary of state permissions would allow the account to be what was first intended – a way to show how housing generated funds are being used.

Setting the boundaries

The HRA was originally set up to record the income and expenditure relating to council homes. After all, tenants also paid rates, the community charge and the council tax, so it was felt unfair to load other local authority costs on to tenants. A ringfence was introduced in the 1990s to keep the monies separate and the famed government circular 8/95 tried to clarify where certain expenditure should lie. Ever since then, much time and money has been spent trying to work out ways around and through the ringfence, blurring the boundaries.

There is a need to emphasise where these boundaries lie. Fully acknowledging the links between costs and benefits would be a good start. It would also help to re-emphasise that the poorest people in society should not be paying twice over for services – while those further up the social chain duck their responsibilities. Simplifying and clarifying the account, and ensuring that any transfers in or out of it are fully highlighted in words that all can understand, would be a welcome improvement.

So where does all this leave us? Moving forward, the approach outlined here would see housing reinvigorated locally. Social housing would no longer become an ever-reducing ▶

'Now is the time to allow local authorities the freedom to use the revised prudential code to control spending on housing' proportion of the national housing stock, exacerbating the rise in homelessness and use of temporary accommodation.

Meanwhile, a revised right to buy system would ensure an orderly turnover of social housing stock, preserving the long-term opportunity to climb the home ownership ladder while helping to halt the increase in social welfare costs.

Tenants would know and understand how their rent is being used; something that, in the aftermath of the Grenfell tragedy, has been demonstrated as sadly lacking. Public housing would once again be recognised as a vital investment in our local communities.

The challenge is for the government and local authorities to show they can act responsibly and reasonably, and not be driven by political dogma. There needs to be an acknowledgment at all levels of the vital contribution social housing can make to being part of the solution to the housing crisis.

A truly locally based, non-statute confined HRA would facilitate this, by being the clear and unambiguous record that demonstrates the strength and purpose of local investment in social housing.

We need to show clearly that social housing is not about sink estates and housing of last resort, but about making a positive contribution to community cohesion, social mobility, health, wellbeing and economic regeneration. ●

‘Government announcements that supposedly give social housing a green light, are mainly about unaffordable “affordable” housing’

THE NUTS AND BOLTS

Public by design

ESSAY

BY PAUL KARAKUSEVIC

Local communities deserve the very highest standards of design in public housing. Councils have a crucial role to play in making that happen

Paul Karakusevic is founding partner of Karakusevic Carson Architects, specialists in social housing, and a design adviser to public sector bodies

OVER THE PAST five years, there has been a little-reported revolution in public housing. Mainstream coverage of the housing crisis has been dominated by the rise and rise of prices, and the starts and stops of private builders. Meanwhile, radical change is underway: one that is about to define a new era for social housing.

The biggest change is that local authorities are once again building. In doing so, the public sector is assuming an active role in delivering homes and neighbourhoods with a confidence – and potential for scale – that we have not seen in the UK for decades.

The past 30 years of public housing investment in the UK – where it has happened at all – has been dominated by an obsession with cost cutting over quality. While most countries in Europe maintained steady investment in public services of all kinds, including housing, beleaguered local authorities in the UK have too often been left in thrall to commercial developers and contractors who seek to maximise returns and generate quick profits out of former public assets.

The result in many cases has been new housing and estate refurbishment projects that focus on quick fixes, easy options and de-risking, with a low priority placed on design quality or longevity.

Now, at last, the tired old cliche of "market good, public bad" is being challenged by a set of ambitious and visionary local authorities, initially in London, and now increasingly elsewhere in the UK. These authorities are designing and delivering the best new housing anywhere in the country. Learning the lessons from both the postwar era and the recent past, London authorities such as Hackney, Camden and Enfield are aligning local needs with residents' ambitions. They are working with architects to create schemes where a long-term vision for neighbourhoods, along with good-quality housing, durability and future growth really matter.

Many of the major schemes that we are engaged on as architects, whether on site or nearing completion, had their origins in the final years of the last Labour government. At this time, plans were put in motion that would eventually result in raised borrowing caps for councils and their housing revenue accounts, leading to direct council delivery. This move has had a major impact, setting in train a generation of projects that allowed local authorities to look at their land portfolios intelligently and determine their priorities according to local need.

Reasons to feel proud

As a result, many local authorities are now emerging as leaders in best practice. They are seeing the benefits of seeking out the best design teams, maintaining control throughout the design process, and procuring contractors that are able to deliver to the high standards required for homes that residents will feel proud of. Councils are accepting a small amount of risk, but this enables them to achieve greater value in the form of high-quality, affordable housing.

A good example is Enfield, in north London, where we have collaborated with other architects on designing Dujardin Mews, which won a Royal Institute of British Architects award. This is the first council-led social housing delivered by the borough for four decades and forms the first phase of the Ponders End district rebuilding programme.

Completed in 2017, the 38-home project exemplifies the new ambition of the local authority and showcases how robust detailing, high-quality materials and elegant design can be delivered on time and on budget. Family houses, maisonettes and flats have all been integrated, while residents' involvement in the final design details has fostered a new sense of community and created a well-used streetscape.

Another example is in east London, where the rebuilding and refurbishment of the Kings Crescent Estate in Hackney is a key element of an ambitious borough-wide programme. The first phase, completed in September 2017, is part of a plan that will eventually provide 750 homes. The project reflects a nuanced approach to redevelopment and intensified land use, in keeping with the London cityscape. The council has led on ensuring there is a mix of home types and tenures. So, at Kings Crescent, new and refurbished homes for social rent have been combined with those for market sale as part of a joined-up strategy that sees one phase cross-funding the creation of the other.

This intelligent and financially prudent way of doing things helps local authorities realise the potential of their land holdings for a social purpose, and is frequently considered where the site and condition of existing homes allows for some form of intervention. Also in Hackney, the rebuilding of the larger Colville and Nightingale estates will together deliver 2,000 new mixed-tenure homes, 50% of which will be affordable. This will provide the borough with high-quality, affordable housing stock for generations to come.

In the last Budget, chancellor Philip Hammond acknowledged the crucial role of the public sector in our housing market when he said local authorities in some "high pressure" housing areas would be allowed to borrow more. This is encouraging. However, if our cities are seriously to tackle the housing crisis in their own areas, they need to be able to scale up their programmes with new dependable central government funding and low-cost borrowing. To achieve this, they need access not only to finance but also to a pool of skilled designers, project managers and leaders who are well versed in the development process and ambitious in their thinking. Best practice in housing is only able to thrive where there is a common purpose and a common understanding of what quality looks and feels like.

'Truly affordable housing needs to be part of a holistic urban approach, just like infrastructure'

Knowledge gap

The hollowing out of our local authorities through decades of cuts has created a scenario where expertise is too often outsourced and bought in at huge additional cost to the public sector. This is slowly changing with initiatives such as those led by the Greater London Authority and the mayor of London. These seek to plug the gap in knowledge and capacity to ensure that councils across the capital might develop their own plans for housing and, at the same time, challenge poor-quality schemes when they see them entering the planning process.

One well publicised example of this is the development by the Greater London Authority of a team of viability experts who can be shared across the city and whose knowledge can be drawn upon when a local authority requires assistance. Another is the recently launched Public Practice initiative. This seeks to match the best design officers and planning associates, with the right experience in the required field, to councils seeking to fill vacancies.

There will always be a big role for the private sector in housing a city like London. We must have diversity in suppliers and housing types, but we must also ensure that our civic bodies are capable and are willing to steer change and direct investment where it is most needed. Truly affordable housing needs to be part of a holistic urban approach, just like infrastructure, and there are innovative models in incentivising developers and joint venture partners that British cities could learn from.

In Vienna, for example, a city with a long social democratic tradition and some of the finest housing anywhere in the world, development platforms exist where commercial sale of public land takes place only after a developer submits a site vision to the city that fulfils social, ecological, community and design criteria. Rather than simply accepting the greatest financial offer, this approach generates high quality outcomes for the city. The commercial sector works proactively within a public plan to achieve high standards of design for housing as well as community infrastructure, and other benefits to the public realm.

For too long, releasing the value of public assets in the UK has meant a quick sale with few strings attached. For much of the 1990s and early 2000s, huge stock transfers took land and housing out of public control and handed it to housing associations or the ▸

private sector, often at a substantial discount to developers who employed it according to their own interests and motives. In this way, much value has been lost and, in many cases, it has caused upheaval for residents. This has contributed to understandable suspicion and anxiety among community groups who now find themselves subject to similar regeneration or renewal projects.

> 'The hollowing out of local authorities has created a scenario where expertise is too often bought in at huge additional public cost'

Community engagement

Residents must be at the heart of creating new neighbourhoods and transforming existing ones. At Kings Crescent, by far the biggest challenge facing Hackney Council was how to bring on board a community left disillusioned and disengaged after 18 years of stalled schemes. In 2000, approximately half of the estate was demolished, leaving behind a rubble-filled wasteland.

We have a track record of forging positive relationships with the communities we work with. In Hackney, we and other architects worked with an ambitious group of council officers to put the residents' association at the centre of the design process. Through regular steering group meetings and public consultation events, the residents were heavily engaged throughout from the site planning of new streets right through to the internal specifications.

Attitudes to new development will not change if information is withheld or the intent of a project misrepresented. In the recent past, some key urban regeneration projects have set an unfortunate precedent with regard to the treatment of residents, and a new generation of public sector staff are now having to tackle understandable intransigence, suspicion and accusations of social cleansing by those on both the right and left of politics.

Recent political shifts in some London boroughs demonstrate the strength of feeling in this area and the impact of not listening to the concerns of local people. The long shadow cast by the Grenfell Tower tragedy has heightened these sentiments, making it even more paramount that the fears and concerns of local communities are fully engaged with.

Sadiq Khan has announced plans to withhold funding for certain estate regeneration proposals unless they are backed by a majority of people living in an area. If these plans are implemented, both public and private sectors will need to be ready to embrace and embed it as part of the housing process.

There are nuanced strategies and long-term options for realising new affordable housing on difficult or contentious sites. These include rebuilding, refurbishment, infill, partial demolition and extension. All need to be considered together, especially where phasing is required to prevent the displacement of communities and the blighting of lives. Local authorities have a crucial role to play not only in steering development but also in encouraging on the ground and resident-led approaches.

In some cases, this will mean adopting community ideas for facilities and infrastructure, or types of dwelling and amenity space. In others, it could be giving tenants the means and backing to develop homes for themselves. This could lead to some really interesting design responses and uses as well as create multiple routes to increasing the supply of high-quality housing.

The way forward for social housing lies in good design, enabled by people with a broad and sincere understanding of the cultural, social, economic and political issues. Recent exemplars in boroughs across London demonstrate that architects working with switched-on public sector clients can help public housing reclaim its historic role.

Local authorities can be part of the solution to the housing shortage if they are prepared to challenge development status quos, collaborate and adopt a range of roles. The future for housing and the sustainable regeneration of our towns and cities requires not just architects but also council leaders, regeneration and finance officers, community enablers, residents, planners and urban designers, to work together, take pride in what they can achieve and, above all, think differently. ●

This essay was jointly written with Mike Althorpe, a researcher and architectural historian at Karakusevic Carson Architects. In 2017 he produced the company's book Social Housing, *published by RIBA*

Mixing it up

ESSAY

BY TERRIE ALAFAT

What can the government do to create a truly mixed economy of housing? Measures to improve affordability must be at the top of the agenda

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Terrie Alafat is chief executive of the Chartered Institute of Housing, and was formerly director of housing at the Department for Communities & Local Government

WITHOUT DOUBT, there has been a significant shift in the government's approach to housing over the past few months. The prime minister has pledged to take personal charge of Whitehall's response to the housing crisis. Increased investment in affordable housing was the centrepiece of Theresa May's speech to the Conservative party conference and housing took centre stage in last November's Budget.

Meanwhile, January's cabinet reshuffle brought us yet another new housing minister. Notably, it explicitly added housing to the titles of both the secretary of state and the government department responsible for dealing with this vital issue.

All this is of course welcome – our national housing crisis is causing real hardship for millions of people all over the country. It is stopping young people from getting a foot on the housing ladder, forcing private renters to put up with soaring rents and poor conditions, trapping families on the waiting list for social housing and, at its most extreme, increasing homelessness and forcing people to sleep rough on our streets.

If we are going to achieve the kind of increase in house building that will really make a difference to this situation, we need to go further.

The Budget set out the government's pledge to deliver 300,000 new homes a year by the mid-2020s. This is absolutely the right ambition and it is achievable – but the reality is the current house building model won't get us there.

We're not going to reach this target by relying on the big private developers alone. We need to encourage new players like small to medium companies and we need to help everyone else to maximise their contribution – including housing associations and councils.

As a country, we have failed to deliver the number of new homes we need for decades. The last time we were building 300,000 homes a year was in the 1960s and 1970s, when councils were playing a major role.

And, of course, while we need to increase the number of homes we are building, it's not just a numbers game. We need to make sure we are building the right homes in the right places, and that people can afford them. For many people on lower incomes, the only truly affordable option is social rent.

Skewed support

Theresa May's announcement last year of an extra £2bn investment in affordable housing was a welcome first step. But government investment is still heavily skewed towards the private market.

Even after the changes outlined in the Budget, our analysis shows that 79% of the housing budget up to 2020-21 is directed towards private housing, with just 21% going to affordable housing. Rebalancing this budget, so that more money is spent on genuinely affordable homes, could make a big difference.

Government support for housing up to 2020-21 amounts to some £53bn, so there is a lot of money in the system – but we believe it could be used more effectively to provide the kind of homes we really need.

The situation is becoming increasingly urgent. Our analysis shows that we have lost ▶

more than 150,000 of the cheapest social rented homes in just five years, between 2012 and 2017 (mainly due to right to buy sales and conversions to affordable rent, which is higher than social rent). At the same time, people's incomes are stagnating and in some cases even falling. Following the Budget, we had confirmation that the government's freeze on working-age benefits, including housing benefit, will continue for another year, until April 2019.

The Resolution Foundation said that a typical working family with two children would lose £315 a year as a result of the policy. It has also warned that the UK is on course for the longest fall in living standards since records began in the 1950s. Downgrades to economic growth forecasts mean that household disposable incomes are now set to fall until 2020, with the poorest third of households set for an average loss of £715 a year by the end of the current parliament. Meanwhile, the Institute for Fiscal Studies has said that British workers face two "lost decades" of stagnant wages.

So what can the government do to create a truly mixed economy of housing? I think the solution has to include helping councils to maximise their potential. One of the measures included in the Budget was relaxing borrowing caps for councils in "high demand" areas so they are able to borrow more to build new homes. That's a step in the right direction – we hope to see the government expand on this move to allow more councils to start building again.

Right and wrong

Ministers could also consider some simple changes to the right to buy scheme to help councils build more homes. Since right to buy discounts were increased in April 2012, more than 60,000 homes have been sold through the scheme, while only 14,736 have been started or acquired to replace them.

If affordable homes for rent are being sold, it's absolutely crucial they are replaced. Quite simply, right to buy is undermining efforts to provide genuinely affordable homes for people on lower incomes.

Our research has shown that most councils expect to be able to replace only half or fewer of the homes they sell under right to buy. It's always been clear that there would be a time lag between homes being sold and homes being built to replace them, but it's now been more than five years since right to buy discounts were increased and there is mounting evidence that replacements are simply not keeping pace with the level of sales.

We think councils should be able to keep 100% of the money they receive from right to buy sales, rather than having to hand some over to the Treasury, as is currently the case. The government could also increase the time limit local authorities have within which to use the receipts to build replacement homes (currently three years).

Both councils and housing associations play a major role in housing delivery – the sector has a track record of delivery, plus tremendous commitment and innovation.

And of course it makes economic sense to invest in affordable housing. For every £1 of public money housing associations receive for building new homes, they invest another £6 of their own or private finance, while research from Savills shows that grant funding for new affordable homes could cut the housing benefit bill by £430m a year.

The prime minister is absolutely right to make housing a priority, but the government needs to be bolder if it is going to meet its target of delivering 300,000 new homes a year – and especially if it wants to ensure they are the right mix. We are still light on measures that will make a real difference to improving affordability – so we must keep pushing this crucial issue to the top of the agenda.

One of the ways the Chartered Institute of Housing is aiming to do that is through our Rethinking Social Housing project, which aims to kickstart a wide-ranging debate about the role and contribution of social housing.

We want the people who live and work in social housing to lead the debate about where it goes next. We're aiming to make the case for social housing, understand and challenge perceptions, and shape the direction of future housing policy.

After all, can we really call ourselves a civilised society if we are failing to provide a decent, safe, affordable home for everyone who needs one?

'The government needs to be bolder to meet its target of delivering 300,000 new homes a year'

Not living the dream

ESSAY

BY LIAM BOOTH-SMITH

The home-owning democracy has gone into steep decline. And politicians are not being decisive enough about dealing with it

ARE YOU HAPPY with your home? If so, you're one of the 78% of people who say they are either very or fairly happy with the house they live in. According to Localis polling, only 8% of people in all types of tenures don't like where they live.

If the housing market deserves to be described as "in crisis", then it certainly isn't due to a crisis of happiness.

Nor are we lacking innovation. Modern methods of construction are capable of revolutionising the housing industry, enabling it to deliver high-quality homes at a time when labour supply is thin. So what's the problem? The answer depends on your political outlook.

The central tension in housing is between its role as a social service and as one of the most powerful expressions of individualism our society offers. It is both safety net and castle. Yet governments have repeatedly failed to address this tension in any meaningful way. In this sense, the housing crisis is a crisis of politics. Or, to put it another way, we have failed to ask: what is housing for?

The number of homes bought by people aged 25-44 with a mortgage has dropped by over 1.6 million in just over a decade. Over the same period, the number of homes owned outright by people aged over 65 increased by over 1.4 million. What we are witnessing is the accelerated decline of the home-owning democracy. This should bother us for both practical and philosophical reasons.

On average, homeowners spend less each month on a mortgage than your average tenant does on rent, they are generally happier with their accommodation than renters and, unlike those who are renting, are slowly building up equity in an important asset class. More tangentially, owning a home means you have security and are more able to commit to a community. Home ownership is an important life ambition, one that recent generations have enjoyed and future generations should too.

Both the coalition and Cameron governments, to their credit, backed the idea of home ownership and used the help to buy scheme to enable more people to achieve it. It's fair to criticise help to buy, as some have, for distorting the market – "developer crack" is one phrase bandied around – but not for being politically motivated.

In reality, we've had too little political decisiveness in the housing market in recent years. Where these governments failed was not to acknowledge the other side of the tension – the role of housing as a safety net.

Rent asunder

Those renting, particularly privately, are too often trapped by the structural challenges faced by the housing market. The connection between the problems besetting the private rental sector – and the inability of people to accrue enough capital to own their own home – is all too obvious. Simply put, for too many people, wages are not increasing quickly enough to keep pace with the cost of renting.

This means not being able to save for a deposit and in turn never owning your own home. To save the home-owning democracy, we need to reform the private rented sector and create new ways for people to access capital.

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Liam Booth-Smith *is chief executive of think-tank Localis*

> 'Home ownership is an important life ambition, one that recent generations have enjoyed and future generations should too'

In fact, the preservation of a thriving home-owning democracy is dependent on a private rental sector that is safer, more secure and chews into less of renters' incomes each month. The first step the government must take is to update regulations so that they better reflect the size of the sector and the circumstance of private tenants.

Last year, 4.5 million households rented privately – more than double the amount that existed in 1996, when the legislation that guides private tenancy agreements was introduced. Of these, 1.6 million were households with dependent children. For this group, assured shorthold tenancy agreements are not fit for purpose.

If the government is serious about creating "a country that works for everyone" this cannot continue. Localis has argued for reforming the legislation to allow private tenants to choose their initial tenancy length, at intervals of anywhere between six and 36 months, with a one-month break option after six months.

Allied to this, regulations should also change to allow rent increases at only 12-month intervals, and for those increases to be agreed and locked in from the start of the contract.

This would be important to prevent eviction by rent increase in place of a tenancy being ended early. These proposals would prioritise consumer choice. A footloose person would still have the flexibility and freedom to choose a tenancy length that didn't tie them to one place. And a family would be provided with the guarantee that three years later they would still be living in the same area.

Rethinking saving

The next important step government can take is to reform the ways in which people can save for a mortgage deposit. The current laissez-faire approach is simply not working. Our research has found that 58% of people who do not already own their home outright (or with a mortgage) are saving nothing at all each month for a deposit to buy a home in the future.

The government should make it more attractive to save for a deposit. We have argued that the auto enrolment of employees aged 18-40 into pension schemes by employers should also include the option to make contributions towards a lifetime individual savings account, in a scheme targeted at first-time buyers. Employers should be expected to make contributions equal to 3% of the employee's qualifying salary; the government should continue to match 25% of employee contributions to the ISA.

This would revolutionise the way that deposits are saved for. Far more people would be building their financial capacity to buy a home. Their employer would contribute. And viable deposit sums would be reached much more quickly. Our calculations show that someone on a salary of £30,000 would have savings of £32,600 after 15 years of using this scheme.

Finally, politicians need to explain to the public, and understand themselves, that protecting the home-owning democracy demands a collective sacrifice. Homeowners have to accept that new homes will be built in their area. Some homes may lose value, some may rise, but that value will just be a fiction if no-one has the financial capacity to buy it. Developers' construction models will need to adjust.

As labour and material shortages bite, modern methods such as off-site construction will become a necessity rather than a speculative investment. Financiers will need to be more creative in mortgage products. People are living longer and earning their income in different ways: the market should catch up with that. And anyone who wants to own their home in the future will need to put more money away each month for a deposit. We all need to change to keep home ownership as a viable option for the majority of people in future generations.

Only the government has the capacity to trigger this collective sacrifice – one that goes against almost half a century of orthodoxy. Housing policy over the past few decades has been characterised by minimising the number of losers while generating as little productive activity as possible, rather than pursuing policy that is in line with the public good.

The condition of the housing market is the biggest state failure of the past 40 years. A combination of poor decisions and no decisions by governments of all political persuasions, and by all tiers of the state, has led us to this point. Now it is the young and private renters who are having to shoulder the cost of this failure.

All this, of course, comes down to politics. Effective housing policy has only happened and only will happen when there is strong enough political will from central government.

Mild tweaks to the planning system, new frameworks, strategic documents or technology won't be enough until politicians own the problem and see it as their fight. In the housing secretary, Sajid Javid, the government at least has someone who clearly understands the problem - and has brought a refreshing candour to the public debate.

Now a fundamental rethink is required on how the housing market functions and for whom. Castles and safety nets alike, we all need a safe place at night to lay our heads. ●

'A fundamental rethink is required on how the housing market functions and for whom'

Can't pay, won't pay?

ESSAY

BY RICHARD DISNEY

What factors are responsible for the lack of affordable new homes? And does government intervention in the market help – or just push up prices more?

Richard Disney is a research fellow at the Institute for Fiscal Studies, and professor of economics at the University of Sussex

GETTING THE HOUSING market moving again after the 2008-12 recession has been a priority for successive UK governments. Frequent efforts have been made to increase housing supply within the private and social sectors, for both ownership and to rent.

Promoting home ownership, in particular, continues to be an overt aim of governments, especially in view of the fall in the rate of home ownership in England from 71% in 2004 to less than 63% in 2017.

As I have analysed, one of the most substantive housing supply issues of recent years has been the decision to increase home ownership by selling off much of the social housing stock – thereby shifting public intervention towards subsidies to low income households with which to purchase housing.

So where do these trends leave the home ownership market? Here, I will examine two specific questions. First, is a shortage of housing the reason for higher house prices? Second, do direct government interventions to support home ownership – such as help to buy and other policies – actually raise total housing supply and owner-occupation, or simply raise house prices further?

New homes: cause and effect

It is commonly asserted that high house prices are caused by a lack of supply; build more houses, the argument goes, and house prices will fall. While this latter statement is ultimately true, it does not validate the earlier one.

The demand for home ownership is often forecast using methods better suited to publicly provided goods and services. These are generally free at the point of delivery and therefore quantity rationed. So, when it comes to NHS healthcare or police services, we have to make forecasts based on projections of need: the growing population is a determinant of how many nurses, doctors and police officers to employ.

But owner-occupied housing is a private good with a price. And, on the margin, the supply of houses depends on new construction – which in turn depends on expected profits from building new houses. So both the demand for owner-occupied housing and the supply of new construction depend on various prices in the economy. In addition – and crucially – owner occupation is perceived as an attractive investment asset with untaxed capital appreciation.

Hence projections of how many houses must be built to maintain home ownership rates cannot be determined simply by demographics but by economic demand – demand backed by purchasing power. The demand for owner-occupation (as opposed to the demand for housing in general) depends inter alia on real incomes, interest rates and preferences (for example, due to family composition). As we would expect, house prices are higher when real incomes are higher, and are rising faster.

Demand elasticity is related negatively to real house prices and positively to family formation. Over the long run, the housing stock has broadly kept pace with underlying population growth, so the massive rise in house prices – especially in the run-up to 2008 – cannot be explained by a "shortage" of houses.

Two other facets of rising house prices are relevant. One is technical: house price changes are measured from turnover in the housing market. Houses that are bought and sold more frequently may not be representative of the stock as a whole. "Mix-adjusted" house price indices, such as the Halifax index, tend to give lower price increases.

The second is economic: home ownership is also a means of holding household wealth. Arguably, this has become more attractive in recent decades due to the liberalisation of mortgage markets and problems with other asset holdings, such as volatility in equity markets and fewer incentives to invest in pensions, thanks to low annuity rates.

Finally, the system of taxing owner-occupied housing, which taxes transactions but not accrued value, encourages households to retain their housing wealth. They therefore resist downsizing or liberating housing capital later in life by moving into rented accommodation, including residential care.

It is well known that the fall in home ownership rates is disproportionately concentrated among younger households, and it is understandable that young would-be buyers demand housing that is affordable. But the main problem, for supply and demand alike, is that real incomes are stagnant and projected by the Treasury, the Office for Budget Responsibility and the Bank of England to remain so in the foreseeable future.

This matters to a would-be buyer. Suppose I want a mortgage of £200,000 for 20 years at a fixed 4% rate of interest. With zero real income growth, the total payments of interest plus repayment of this mortgage over my lifetime will "cost" me almost £300,000. However, if my real income grows by 2% per annum – which was the norm until the mid-2000s – the lifetime cost discounted by real income growth is below £250,000. With real income growth at 4%, the discounted lifetime cost is £200,000.

This slow income growth also affects supply. New housebuilding is a response to current and expected prices. Rising house prices and expected future price increases will induce more housebuilding, albeit with a lag and subject to certain well-known issues such as land regulation and planning consents. But with slow growth of real incomes and stagnant house prices since the recession, is it any wonder that the rate of housebuilding – now exacerbated by Brexit uncertainty – has been slow to pick up? An additional factor is the evidence of hoarding of potential sites and planning permissions by builders.

So what is making homes unaffordable is whatever is causing slow real income growth, such as a lack of productivity growth. Were house prices fully flexible, we'd see them falling to reflect this lack of affordability, albeit with a detrimental effect on new housebuilding. Indeed, house price indices do suggest a significant reduction in price growth relative to the pre-2008 period. That house prices continue to rise at all may reflect government interventions to boost demand since 2010 and the disincentives to sell houses because capital values are not taxed – whereas we do tax moving house via stamp duty. It follows that the lack of affordable housing arises not from a lack of building per se but from the current economic uncertainty, low productivity in the economy and the strange treatment of housing in the tax system.

> 'The main problem, for supply and demand alike, is that real incomes are stagnant and projected to remain so for the foreseeable future'

Help or hindrance?

The government has put forward a plethora of schemes since 2010 to stimulate homeownership, especially among first-time buyers. Many of these replace or coexist with similar schemes. They can be divided broadly into two types.

First are direct or indirect subsidies to improve the financial position of would-be first-time buyers. The flagship policy here has been help to buy. Since such policies give additional borrowing capacity to would-be buyers, they run the plausible risk of simply raising house prices, which may induce at best a medium-term response by housebuilders.

The second strand of the policy is to link such incentives to building new homes, and to couple the help to buy scheme to supply-side policies designed directly to incentive new homes. These include easing of planning regulations; making more sites for housing available, for example by releasing publicly owned land or subsidising infrastructure developments; and improving the financial position of SME housebuilders.

Help to buy in its various forms – such as additional mortgages above commercial ceilings, or underwriting mortgages – has had mixed success. The mortgage guarantee component was based on government insuring private providers of high loan-to-value loans to borrowers, in order to overcome a perceived shortage of private lending as banks restructured their balance sheets after the 2008-09 financial crash. This had meant that young borrowers with relatively limited down payments were finding it harder to obtain private mortgage finance and therefore could not overcome borrowing constraints.

The policy no longer seemed appropriate once banks were lending more freely and has ▸

been discontinued having, according to the government, assisted 86,000 home purchasers. In reality it is extremely hard to evaluate the counterfactual of whether and when such loans would have been offered by the mortgage market in the absence of guarantees. The Bank of England's evaluation of the scheme was confined to assessing whether it posed a risk to financial stability; it concluded that it didn't, whether because of its limited scope or for other reasons.

The equity loan component had a slightly different objective. By allowing larger loans, linked to the purchase of new-build homes, the government supplemented a private mortgage loan with an additional public loan component. Like the more recent shared ownership version of help to buy, the conditioning of the subsidy on new builds is supposed to ameliorate the effect on house prices of increasing access to the owner-occupation market. An appraisal of this scheme was undertaken on behalf of the Department of Communities & Local Government in 2016. Some 135,000 purchasers used the equity loan scheme and the evaluation considered how far it might potentially have increased the housing stock.

From a survey of equity loan recipients, the DCLG concluded that 43% of buyers taking part in the scheme would not otherwise have been able to buy a property at all. The remaining 57% would have bought a property anyway, but not the same one. Multiplying this fraction of 43% by the fraction of new properties built that were sold to equity loan purchasers, the review tentatively concluded that 14% of new builds in the two financial years 2013-14 and 2014-15 could be attributed to the policy. However, the review cautioned: "It is not possible to establish any meaningful counterfactual and disentangling the effects of the policy from other related policy initiatives added further complication."

These problems are substantial. First, subsidies have a deadweight component, insofar as they may subsidise activities that would have occurred anyway. This is illustrated by the survey of equity loan recipients. Second, they potentially displace other activities. This would include the provision of new housing to households who were not eligible for the scheme; in this case, this was people who were not first-time buyers. And third, insofar as they allow would-be buyers to purchase properties at higher prices than they could otherwise have afforded, they simply raise house prices. However, as rising expected prices and real incomes are the very variables that underpin additional housebuilding, it is not clear in the current economic climate that extra housebuilding would have occurred in the absence of these policies.

Since 2015, therefore, the government has also introduced schemes directly designed to increase housebuilding. Although the issue has been much discussed, it is very difficult to quantify how far housebuilding has been constrained by planning regulations and by the absence of land now made available by releasing public sector sites. The rationale for giving cost subsidies to builders to build more houses, for example by assisting in infrastructure, seems strong, especially if economic uncertainty is inducing excessive caution among housebuilders. However, getting the level of the implicit subsidy right is a difficult business; subsidising providers is a dangerous policy because of the likely deadweight cost of subsidising new builds that would have been built anyway.

On the other hand, if the effective demand for housing is subdued for the reasons described previously, the government may have to boost profit margins quite considerably to induce a supply response. The Home Builders Federation has tended to argue that the implicit value of current subsidies – at least before the 2017 Budget – are not substantial enough to generate a large supply response. Even so, the sums involved are pretty substantial in the context of the fiscal position of the government.

It seems that an economic upturn, including a rise in real incomes which is not yet apparent in the economic forecasts, will be an essential prerequisite if the government is to achieve a significant upturn in home ownership rates in the near future.

> 'Help to buy runs the risk of simply raising house prices, whilst inducing at best a medium-term response by housebuilders'

COMMON
CAUSE

Losing the plot

ESSAY

BY DAVID ORR

Housing associations have the potential to deliver vastly more affordable homes. But first we must get back to the land issue

WE DON'T HAVE enough homes. Between 2012 and 2016, we built nearly 500,000 too few homes in England. The government's £2bn investment in social housing will make a real difference to those let down by our broken housing market. However, to build the promised 300,000 more homes a year, housing associations are going to have to ramp up housing supply. And for this, we need to see more effective use of public land.

Of course, the housing crisis is not the only big issue facing local authorities and public bodies. Schools and social care, to name just two examples, also need paying for at a time when government funding is falling faster than ever. But tackling the land issue would help free up much-needed resources for affordable housing.

Public landowners would benefit from making more land available to housing associations for a whole host of reasons. Housing associations are unique because they offer a value-added service, providing numerous benefits to partners in the public sector including cost savings, economic improvements and a range of community services, from healthcare to initiatives to tackle homelessness.

Land – the missing piece

It is stating the obvious to say that you can't build a home without land, yet it remains the missing piece of the housing crisis jigsaw. The lack of available and affordable land is the biggest barrier to building homes more quickly. Especially affordable homes.

The reasons for this – and the dysfunctional nature of our land market – are well documented. They include competitive returns being prioritised over policy compliance when it comes to financial viability assessments, with the result that councils get short changed by private developers.

Similarly, public landowners work in silos, driven by arbitrary disposal and financial targets. There is also a lack of transparency over ownership and options agreements; too much land is owned by non-developers; and often public land is retained for its "hope" value.

When combined, these factors increase competition for sites and push up land prices – meaning less support for affordable housing.

What might the solutions to these issues look like?

In the first instance, it is vital that government – central and local – shows real leadership. Its current approach to disposing of public land mimics the dysfunction in the wider market which, in turn, is holding back the scale and speed of housebuilding.

Public bodies are required to achieve the "best consideration" that can reasonably be achieved for the disposal of land. While it is theoretically possible to dispose of land for less than this, too often government guidance is interpreted as simply selling to the highest bidder and maximising the receipts, rather than for the price that will enable a mix of affordable and market homes to be built most quickly.

This issue was implicitly recognised in the 2017 housing white paper, where the government committed to consult on extending local authorities' flexibility to dispose of land at less than the best consideration price.

Local authorities would do well to follow the London mayor's lead by introducing a

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David Orr is chief executive of the National Housing Federation. He was previously chief executive of the Scottish Federation of Housing Associations

minimum affordable housing threshold of 50% on public land. Where these requirements are met, schemes would benefit from a fast-track planning process, for which viability information would not be needed.

Inclusive growth

Taken together or individually, these land solutions will help incentivise a mix of housing for all tenures, including a higher proportion of affordable housing, delivered speedily and at a high quality. They will offer all developers greater certainty, reduced risk and lower costs.

But why should housing associations be the ones to benefit from more affordable land? Put simply, it is because they are committed to ensuring everyone has the opportunity to live in a high-quality home that they can afford. They are well placed to meet shifting housing needs, provide extra support where it is needed and innovate to tackle the challenges people face.

Fundamentally, housing associations exist to benefit the community. They generate surpluses but these do not go to shareholders – they are reinvested into homes and communities.

They also have a long-term interest in the places where they operate and the communities they serve. In 2016-17, housing associations added an estimated £1.6bn to England's economy while supporting more than 32,000 jobs.

In addition to driving local economic growth through their day-to-day operations, investment in new and existing homes and as major local employers, associations play a significant role in shaping the long-term future of places.

The Joseph Rowntree Foundation recently studied the local impact of so-called anchor organisations, such as housing associations, local authorities, hospitals and universities. Its research found that through procurement and employment practices, anchor organisations can directly deliver more inclusive growth. They can also inspire others by providing examples of good practice, thus helping set the tone for the local economy.

These findings have been echoed by other studies. The RSA Inclusive Growth Commission, for example, found that housing association supply chains, ethical employment practices and adoption of the living wage are "important anchors for inclusive growth in localities across the country".

Healthy partnerships

Housing associations also have a key role to play in public health. They provide 2.8 million homes for more than five million people who are typically older and poorer than the general population and with greater health needs, helping many to live independently.

Research from the King's Fund shows that housing association homes are more likely to be of a decent standard than those in any other housing sector and promote good health. They are more energy efficient, and in a better state of repair than any other rented tenure, and are significantly more accessible to wheelchair users.

Suitable housing can significantly help relieve the pressures on the NHS. Working in partnership with local authorities, clinical commissioning groups and NHS trusts, housing associations have been developing step-down accommodation to reduce delayed transfers of care. They can and should be key partners in NHS England's sustainability and transformation partnerships. However, a recent review of the 44 STPs by Care & Repair England found only a few of them strategically feature housing.

Housing associations must be part of better health pathways and help build a movement to change healthcare from the bottom up. This will be critical to achieving the ambitious vision and savings that STPs are aiming for. After all, the very best primary health care provision is a warm, dry, affordable and secure home.

Clearly, the housing association sector is full of great examples of working with the public sector on partnerships that achieve shared aims around housing, health, care and employment. They have a huge offer to make to the individual, the taxpayer, the community and in supporting public services, if involved in strategic discussions at an early stage.

Devolution presents an opportunity to forge powerful, renewed partnerships with empowered local government to improve and integrate public services, promote better health and social care outcomes and tackle homelessness. This includes ensuring devolved budgets are locally determined.

Housing associations are unequivocal about their ambition to deliver the homes the nation requires. They have a strong history of meeting changing housing need and huge ambition to keep doing so. But to unleash their full potential, and build better homes for more people, they need to overcome one of the main barriers standing in their way – the lack of access to affordable land. ●

> 'The approach of central and local government to land disposal mimics the dysfunction in the wider market '

Building a route out of poverty

ESSAY

BY BRIAN ROBSON

Poverty has doubled among private tenants within a decade – a big factor in rising homelessness. What is to be done?

THE GOVERNMENT has repeatedly declared its commitment to fixing what it acknowledges is a broken housing market. The social housing green paper, described by secretary of state Sajid Javid as a "wide-ranging, top-to-bottom review of the issues facing the sector", is just one way it is addressing this.

But there's still a risk that the people in the greatest need will be overlooked. The broken market can be fixed only if the government reduces the cost of housing for people on low incomes. And this can be done only by boosting the supply of low-cost rented housing.

According to recent analysis by the Joseph Rowntree Foundation, 14 million people are living in poverty in the UK. For most of these households, their biggest cost is housing. In recent years, a growing number of low-income families have found themselves living in the private rented sector where costs are high. This, along with stagnating earnings and cuts to the welfare system, has led to a doubling of poverty levels among private tenants in the space of a decade; some 4.5 million of people renting privately are now in poverty.

Dual focus

To boost the living standards of people struggling to make ends meet requires a dual focus on increasing people's incomes while also reducing the cost of essentials. The rising cost of housing means that, for people living in the bottom fifth of the income distribution percentile, any real-terms increase in income between 2007-08 and 2015-16 has mostly been wiped out.

The pressure on family finances and the insecure nature of private rented housing has led to a worrying rise in the number of people without a safe, permanent home. In September 2017, the National Audit Office found that people's private sector tenancies being terminated was the single biggest driver of statutory homelessness in England.

The proportion of households accepted as homeless by local authorities after their assured shorthold tenancies were ended increased from 11% during 2009-10 to 32% during 2016-17. This rise has been fuelled by private rented properties becoming increasingly unaffordable, coupled with the freeze on the local housing allowance (the amount of housing benefit private tenants can receive towards their rent). Although the autumn Budget took some small steps to reduce the impact of the freeze in the worst affected areas, these are unlikely to prevent the policy from continuing to contribute to homelessness.

Tackling the issues faced by low-income families will require bold, targeted action to deliver more high-quality, stable and genuinely affordable housing. In the short term, it is crucial that the government relieves the pressure on families' budgets caused by high rents; in the longer term, it needs to stump up the resources to achieve a significant change in the supply of low-cost rented housing.

But in the immediate term, the government can relieve some of the financial pressure felt by low-income families by ending the freeze on LHA. Because rents have risen while benefit levels remain the same, 90% of private tenants now face a shortfall between the support they are receiving and the rent they pay.

The financial pressures faced by families are particularly acute in London and the South

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__Brian Robson__ is acting head of policy and research at the Joseph Rowntree Foundation

East, which have experienced the most dramatic rises in housing costs. In outer London, on average, housing benefit falls £192 per month short of actual rents for a two-bedroom property. The Institute for Fiscal Studies forecasts that, without action being taken, the number of private tenants experiencing a shortfall will rise by a further 4% by 2025.

Ending the freeze on LHA would provide a short-term boost to the living standards of people struggling to make ends meet. For housing benefit to be effective, it must be restored to a level that covers the cost of the bottom third of local rents – as it is intended to do – and uprated annually in line with inflation to prevent a further rise in poverty and homelessness.

Best investment

To establish a housing market fit for the future, in which everyone can live in a decent, affordable and stable home, the government needs to boost the supply of low-cost rented housing.

Investing in more social rented housing is the most effective investment in housing that the government can make. This is because it offers cheaper, more stable and higher-quality housing for people on low incomes. Currently, four in five social renters are satisfied with their home while only one in 10 are dissatisfied. Among private renters, one in five are dissatisfied with their homes and almost one in three of private renters living in poverty live in a substandard property.

The NAO report identified that, while the amount of social housing has reduced significantly in recent decades, local authority spending on temporary accommodation has increased steadily since 2010. This is also taking place in the context of overall local authority budgets for housing services being reduced.

This failure of the system makes it unsurprising that JRF analysis identified housing as a top concern for low-income voters – ranking it higher than jobs or immigration. The vast majority of people, regardless of their incomes, think that it is the government's responsibility to provide a decent home for people who cannot afford to themselves.

‘Housing is a top concern for low-income voters – higher than employment or immigration’

However, for a number of years, the supply of genuinely affordable housing has fallen far short of what is needed to meet demand. We estimate that the government would need to deliver 80,000 additional affordable homes a year to do this. Since 2011, the delivery of these homes has been volatile but has averaged around 47,520 more homes per year. This has resulted in a total shortfall of 182,880 homes over this period.

Although it is welcome that the government has promised £2bn in extra funding for social housing, this will only deliver around 5,000 of the additional social rented homes per year needed to bridge the shortfall. If we are serious about tackling this social housing gap, it will require a step change in the delivery of new homes.

The government has shown leadership by setting itself targets of building one million homes by 2020 and a further half a million homes by 2022. The suggested investment in social housing would play a valuable role in assisting it achieve its overall housebuilding targets. Diversifying housing options available to people on low incomes would also help to reduce the current pressures in the private rented sector.

Addressing the housing crisis for low-income voters represents a political opportunity. Government ministers are right to be looking for bold, long-term solutions to the issues being experienced by people every day in our dysfunctional housing market.

A key test of the government's commitment to building a Britain fit for the future will be whether it decides to prioritise the supply of low-cost rented housing in the social housing green paper. This would be the most targeted and effective way of using housing policy to boost the living standards of low-income families.

The appointment of a new housing minister, Dominic Raab, in January 2018 offers the government an opportunity to stop and take stock of how best to target its resources so that they benefit the most people. It is clear that in recent decades the social rented sector has not received the investment it needs to offer high-quality, secure and affordable housing to everyone who needs it.

Yet fixing the broken housing market is one of the defining political and social issues of our time. This government must seize the opportunity to reform the system in a way that can help tackle the very concerning rise in poverty in the UK.

Dare to share

ESSAY

BY ANDREW VAN DOORN

The housing and health sectors need to align their services more closely, to house essential workers and improve the patient experience

IN THE YEAR THAT we celebrate the 70th birthday of the NHS, we should not forget that the man credited with its creation, Nye Bevan, was not just the minister for health. He was also the minister for housing.

Bevan's vision of a free, universal health service was more than matched by his vision of a country where people were to live in vibrant new neighbourhoods to be created after the war. In the 10 years after the Second World War, 2.5 million new homes were built, three-quarters of which were owned by local authorities.

Like many of our greatest social reformers, Bevan understood the intrinsic connection between good housing and good health. And housing was not seen just as a response to major public health issues. It was also viewed as a way to rebuild a nation, by creating a secure footing for individuals, communities and the country to prosper.

Roll forward 70 years, and we find ourselves in the grips of a new crisis – for both housing and in the NHS. Sadly, there is no longer one ministry responsible for health and housing and the division between the two policy areas feels too far apart. But the links between good housing and good health remain indisputable. The estimated costs of poor housing to the NHS are staggering – at least £1.4bn per year.

Times of crisis invite us to think differently – to break down the barriers that we have built, reach out to create new forms of collaboration and bring new solutions to the table. It is now time to reinvigorate the connection between housing and health, and create new relationships between the main providers of both services – housing associations and NHS trusts.

Assets in common

As the social housing sector's ideas and innovation agency, the Housing Associations' Charitable Trust works at the interface between health and housing with providers across the country. We have found that a willingness to have new conversations, build a better understanding between housing associations and health trusts – and form new collaborations that bring assets and expertise together – can address many of the issues that housing and health face in common.

Like all public services, the NHS is having to deliver services with fewer resources, at a time of unprecedented demand. As with all public services, the sustainability of decades of public investment is being put at risk. Both housing associations and the NHS have invested heavily in local communities. They have built assets, become major employers, and made investments that will benefit people and neighbourhoods far into the future.

These assets, both physical and human, now need to be brought together to transform both healthcare and housing for future generations. The new strategic frameworks emerging in the NHS are one route to do this. Sustainability and transformation partnerships, accountable care and integrated care systems can all benefit from closer alignment with housing, both strategically and operationally.

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Andrew van Doorn is chief executive of the Housing Associations' Charitable Trust. He is also a non-executive director at London North West University Healthcare NHS Trust

The availability of capital in the NHS is at an historic low. Meanwhile, the recent estates review by Sir Robert Naylor has outlined the potential for the NHS estate to transform healthcare, and ensure that its workforce is adequately housed. The government's response to the review includes an ambition to provide affordable housing for NHS workers, benefiting around 3,000 families.

As the main providers of affordable housing of all types – including rented, shared ownership and for sale – housing associations are the obvious partners of choice. By entering into joint ventures, NHS trusts can bring forward their land and receive a return on this capital whilst providing much-needed housing for health workers of all kinds.

In some areas, it is estimated that the return on capital achieved through these kind of joint ventures for residential housing can be 16% greater than through disposal at market value. Recently opened keyworker housing, delivered through housing association and NHS partnerships – such as the Thames Valley Housing and Frimley NHS Foundation Trust scheme in Frimley Park – demonstrate what can be done.

Community care

NHS assets can also be used to help meet care needs for people outside of hospital. Housing associations are skilled in asset development and management. These skills mean they are well placed to increase the supply of high quality step-down housing (both temporary and long term). This in turn helps reduce delayed transfers of care, and creates longer-term solutions for people who need them. These include providing mental health support, and delivering permanent community-based solutions for adults with complex learning disabilities and autism.

Housing-based solutions have proved to be more cost efficient for the NHS, often delivered at a third of the price of equivalent inpatient care. NHS England is beginning to see the value of working with housing partners, and the value for money that it brings: building it into new pilots for community forensic services; and as a key way of addressing the high costs of out of area placements in mental health.

At a time when capital investment in the NHS is so constrained, housing associations across the country are bringing their own capital to partnerships with NHS trusts. There is no shortage of capital investment in housing, and asset-based partnerships can continue the transformation of care out of hospital.

A shared future for housing and health also offers the opportunity to build resilience in primary care and develop community wellbeing. Housing associations invest around £750m a year in communities - in areas such as education, training and employment, money advice, community services and support, and health and wellbeing services. Aligning this investment with NHS and public health priorities could have a significant benefit.

Housing associations, in partnership with local communities, already deliver major programmes around healthy eating, sports and physical activity, mental wellbeing, and health promotion. They recognise that the health and wellbeing of their tenants, and the wider communities they live in, has a direct impact on the sustainability of the neighbourhoods in which they work.

Like the NHS, they too are working with more vulnerable and older people. As well as providing specialist support, they invest in social prescribing, mental health support and programmes that identify and tackle the growing crisis of isolation. With their depth of relationships and reach into communities, housing associations support the NHS by promoting wellbeing and keeping people out of hospital.

Grasp the potential

As a major employer, the NHS also plays a key economic development role throughout the country. Housing associations can be a partner on this front too. Alongside developing affordable homes for the healthcare workforce, they can help address the wider recruitment crisis facing the NHS. This means directing their education, training and employment programmes towards the core skills needed by the NHS, enabling tenants to be encouraged and supported into the healthcare jobs that are urgently required.

The social and affordable housing sector is also well equipped to provide the expertise so desperately needed by staff working in settings such as acute mental health, accident and emergency and community services, all of which is vital to helping people return home. While the Better Care Fund has invested in aids and adaptations, much more material assistance is needed to help resolve the growing problem of delayed transfers of care.

There are many examples of how housing and health can join forces to make this

'The estimated costs of poor housing to the NHS are staggering – at least £1.4bn per year' happen. Devolution in areas such as Manchester demonstrates how renewed engagement – supported by an enabling strategic environment – can lead to the establishment of new, creative services that combine the strengths of the two sectors. Manchester, however, is the exception rather than the rule.

There is a general lack of awareness about the potential for greater cross-sector collaboration. In most areas, local NHS strategies have not yet embraced the challenge, and are largely silent on the issue of housing. Recent analysis of all 44 STPs, by Care & Repair England, showed that very few had identified housing as a potential contributor to NHS transformation.

Yet NHS accountable care systems, partnerships and organisations will suffer without encouragement to engage with new partners and perspectives. STPs are already displaying a lack of truly joined-up strategies, with weak relationships between housing and health. NHS England's healthy new towns programme does demonstrate a willingness to engage in a broader health agenda, one that encourages major physical development and regeneration. However, it too is still largely on the margins of the major debates within health.

Grasping the potential for greater collaboration between housing and health will require leadership at all levels. It will need a greater appreciation from both sectors of each others' strengths, and a willingness to co-create. These are major challenges. But with the crisis in both the NHS and housing rapidly worsening, now, more than ever, is the time to come together – and try something really bold.

'Asset-based partnerships can continue the transformation of care out of hospital'

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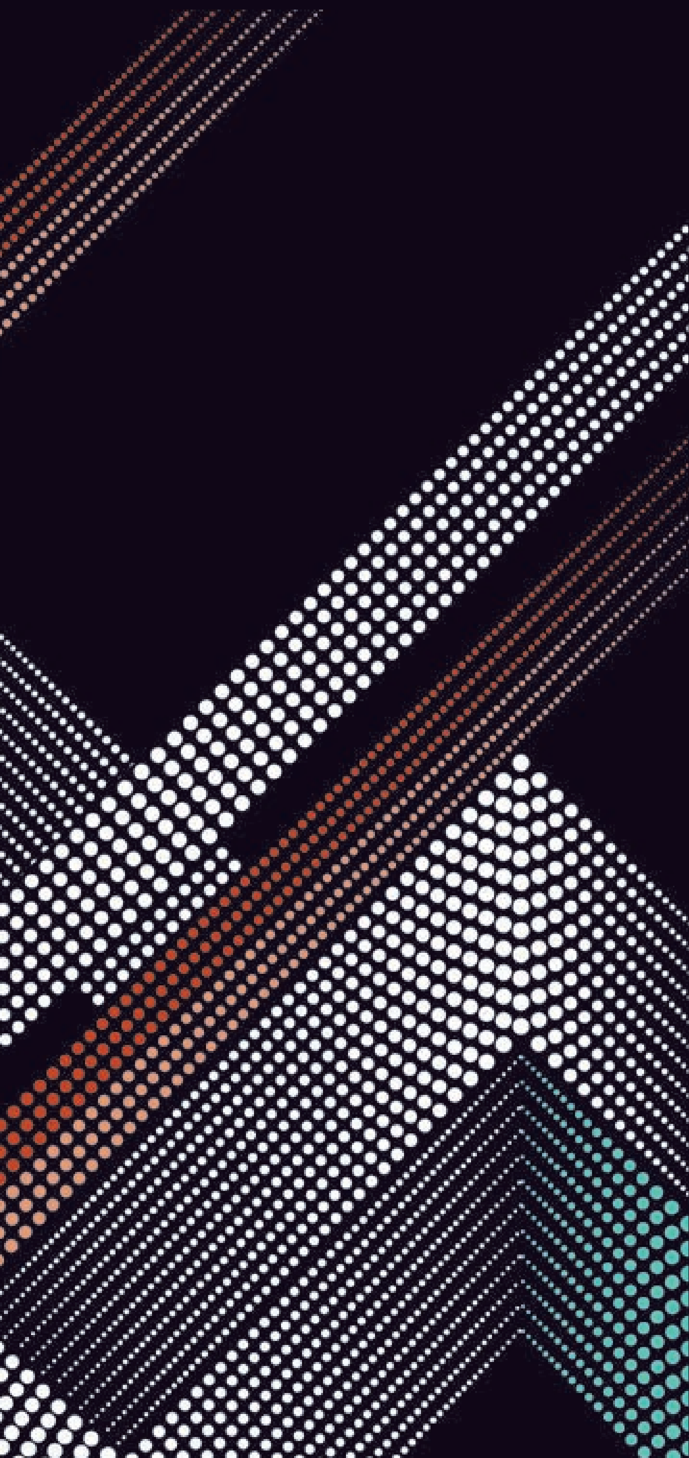
Raising the roof

This is the seventh in a series of *PF Perspectives*, produced by CIPFA and *Public Finance*. They are designed to stimulate discussion on key public finance and policy issues. These essays, by leading public sector practitioners and experts, examine how to transform the housing landscape, and the role public housing can play in that process



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