

Executive summary

This is a summary of the key points from the *UK Housing Review 2024*.

Contemporary Issues Chapters

1. How much housing do we need and how should we provide it?

(Glen Bramley)

Glen Bramley's work in 2018-19 was generally accepted as the most authoritative assessment of housing needs across Great Britain. This chapter summarises a new assessment of needs, focussed on England, using essentially the same methods as the previous study. It links an affordability-based approach to housing to a dynamic sub-regional housing market model. Rather than providing a single projection of required housing output to meet identified need, the study generates a set of five scenarios for future output and evaluates them against an array of outcome indicators. It also addresses the likely net cost in terms of public subsidy of each scenario, which in current circumstances may prove to be the determining constraint on actual policy.

Bramley concludes that increased provision of housing, particularly social rented housing, would generate a wide range of beneficial social outcomes, enumerated in the study's detailed analysis.

The beneficial outcomes of increased housing provision tend to increase in step with both the scale of the programme and its focus (geographical, and tenure-related) on areas and sectors of greatest need and market pressure. While 'levelling up' is desirable, it is unlikely to completely overcome the very strong market demand in London and its surrounding region. When compared with current very low supply, a move to a medium-high level of supply has a considerable impact on most outcomes.

The study considers various restraints on increasing supply including that the higher-end levels of new provision would require £10-12 billion annually in subsidy.

The conclusion is that it would be reasonable to plan on the basis of achieving a total supply of at least 300,000 new homes annually, including 60-70,000 socially rented units. The total should rise to around 350,000 per annum from 2030, of which 90,000 should be for social rent.

2. Ethnic inequalities in housing: exploring the policy response:

(David Robinson, Rhiannon Williams and Jenny Preece)

Inequality is inevitable in a market-based system where ability to pay is a key determinant of housing outcomes. Important ethnic inequalities persist within the UK housing system, despite efforts to tackle discrimination and promote race equality.

This chapter explores whether and how policy is rising to this challenge. It begins with a descriptive overview of ethnic inequalities in housing in the UK. It then considers what the contemporary evidence base tells us about the drivers of these inequalities, before exploring the policy response to ethnic inequalities in England, Scotland and Wales.

Headline figures on ethnicity provide the background to analysis of the data on a range of indices: tenure, overcrowding, housing quality, housing costs, housing wealth, homelessness and place of residence, in each case examining the differences for a range of ethnic groups.

How might the ethnic inequalities highlighted by this analysis be explained? While in the recent past there was considerable exploration of these issues and their consequences for policy, this effort has declined considerably, leaving unanswered several fundamental questions about current ethnic inequalities.

There has been a shift away from policy to address ethnic inequalities. Today, tackling them appears to be a marginal concern. Race equality is not flagged as a priority within national housing policy statements in England. In Scotland and Wales, there is renewed recognition of race equality as a priority but this is not yet fully embedded into housing policy.

Are housing providers meeting their legal duties under the Equality Act? The authors argue that there needs to be greater clarity about legal responsibilities. Research needs to ‘tell the stories’ of ethnic inequalities in housing and help understand the causes. Policymakers and practitioners need to engage with this evidence and what it tells them about what action is needed. Regulation should actively identify threats to equality, anticipate problems, look for early warning signs and challenge performance. Targeted interventions should tackle persistent inequalities and promote greater fairness; learning on these issues should be shared.

Only then might we be able to answer ‘yes’ to critical questions about whether inequality is being tackled.

3. The growth in migration to the UK and its effects on housing *(John Perry)*

Migration to the UK reached record levels in 2022 and prompted enormous controversy and political debate. Will migration continue at these levels? What impact is it having on the housing system? As the UK government continues to tighten migrant access to government benefits and services, how does this affect their ability to find satisfactory accommodation?

This chapter looks at the evidence on how the housing system is dealing with the growth in migration, and at the consequences for recent migrants of an already strained housing system and of the ever-worsening ‘hostile environment’ that they have to navigate. It shows that, while it is true that migration is leading to population growth and housing need, migrants’ short-term impact on the housing system is very limited. Many are initially dependent on the private rented sector, where they are likely to find difficulties of access, and greater problems than UK nationals in finding good-quality and affordable accommodation.

Migrants with ‘no recourse to public funds’, of which there are considerable numbers, face hardship if they lose their jobs or their incomes are cut. They are ineligible for a housing allocation or help if homeless. Refugees, who in theory have access to social housing, in practice face considerable obstacles and increasing numbers of them experience homelessness and rough sleeping. Asylum seekers,

dependent on Home Office-provided accommodation, often live in unacceptably poor conditions for lengthy periods of time. The many ‘irregular’ or undocumented migrants get the worst deal of all, and there are few schemes to help them if they are sleeping rough, sofa-surfing or otherwise lack secure accommodation.

4. Housing benefits, housing policy and social security – the long view *(Mark Stephens)*

Despite the post-2010 restrictions, housing benefits, which include housing benefit and the housing cost element of universal credit, represent the single largest financial subsidy to housing, greatly exceeding the DLUHC budget for housing and communities. Yet they are also failing to provide a safety net, which prevents incomes after rent has been paid from falling below the accepted minimum implied by the personal allowances rates in universal credit.

This chapter calls for a strategic review of housing benefits, which are of course controlled by the Department of Work and Pensions, rather than by DLUHC or the devolved administrations.

To kick-start a debate about its future, the chapter provides a ‘long view’ of housing benefits, starting with their origin as a plethora of local authority rebate schemes aimed at improving affordability to widen access to council housing for lower-income households. A parallel safety net system emerged through the central government’s social security system.

The local authority schemes were replaced by a national housing benefit system in the 1970s, but it was not until the 1980s that a unified system was established. Consistent with the mantra of targeting subsidies to those households most in need, its function was narrowed, with the affordability function being limited in favour of the safety net.

The housing benefit system played a crucial role in ‘taking the strain’, facilitating the transformation of the housing system by supporting the transition to higher rents in social housing, the leveraging of private finance into housing associations, and the deregulation of the private rented sector which heralded its revival.

This heavy lifting by housing benefit came at a great financial cost, as housing subsidies shifted from being predominantly supply-side in the 1970s to almost all demand-side by the 2000s.

It is unsurprising that housing benefit became targeted for cuts as part of the austerity programme after 2010. However, these cuts (including the restrictions to the local housing allowance rate and the 'bedroom tax') undermined the safety net function, leading to claimants being expected routinely to meet some of their housing costs from what are generally accepted to be inadequate baseline incomes set by universal credit.

Being simultaneously expensive and inadequate, the time for a strategic review is now.

Commentary Chapters

1. Economic prospects and public expenditure (*Mark Stephens*)

After the chaos in the UK's economic management under the short-lived Truss government, recovery has been slow and inflation has been the most pressing problem. Nonetheless, a technical recession has been avoided and the economy appears more robust than was originally feared might be the case. However, the lagged effect of high interest rates is still being revealed in the housing market and in mortgage costs.

High interest rates are among the reasons for the prevalence of what has been called the 'grey gloom' surrounding the UK's economic prospects. Moreover, the UK remains vulnerable to international instability and conflict.

The report of the Economy 2030 Inquiry offers recommendations for a more sustained recovery, such as directing increased public investment towards the transition to net zero, with reformed pension funds playing a key role; a wholesale reform of the labour market and social security system, and stronger moves towards decentralising decision-making, particularly for England's biggest cities. It also argues for greater housing supply and more progressive property taxation.

In reality, recent tax changes have been very modest and will draw more people into higher income-tax bands. Yet despite high tax yields, expenditure on public services remains constrained and prospects for improvement are poor. The Autumn Statement announced very limited resource increases for housing, although the uprating of the local housing allowance was welcome. Local authorities' financial position remains precarious, with high costs of temporary accommodation for homeless households one of the main causes of stretched budgets.

Cuts in the block grants for Scotland, Wales and Northern Ireland all affect housing expenditure to differing degrees. The return of devolved government in Northern Ireland does at least mean that longer-term budgeting should resume.

2. Dwellings, stock condition and households (*Matthew Scott and John Perry*)

New housing supply in England recovered after the pandemic and for the last two years has been at a net figure of 234,000 annually, but this is well below the government's 300,000 target. In contrast, housing supply in Scotland, Wales and Northern Ireland is at or above projected levels of need.

The UK has an ageing housing stock, with around six million homes built more than a century ago. Despite the significance of the older stock, government investment in renovation has declined rapidly. Spending fell from around £327 million on average each year across Great Britain for the decade to 2010/11, to only £93 million annually in the following decade. Numbers of homes renovated with grant aid have fallen to a third of the level they reached in 2009/10.

Dealing with damp, mould, and condensation in the housing stock continues to be a top priority for UK and devolved governments, but progress is slow. Around four per cent of the stock in England suffers from these problems, while there is no up-to-date assessment of the stock in the other three countries. The persistence of damp problems may be exacerbated by householders facing high fuel costs and cutting down on heating.

This emphasises the importance of energy efficiency, where the evidence on progress is also mixed, and hampered by government schemes whose ambition is far below the required levels.

Decarbonisation of heating systems is proceeding at well below the required pace if government targets are to be met. While there have been welcome improvements in the available financial incentives, they are still far from sufficient to meet the target of installing 600,000 heat pumps annually to replace fossil-fuel heat sources such as gas boilers.

Conditions are in many respects worse for ethnic-minority residents with – for example – their greater than average exposure to fuel poverty and to damp problems in their homes.

3. Private housing (*Peter Williams*)

Many of the seemingly fundamental foundations of the market have come under challenge in the past year, with interest rates rising and house prices softening. However, the worst predictions about the housing market have not come about.

Evidence suggests that the growth of the private rented sector has now stopped, as has the fall in homeownership, although the proportion of those who own outright has risen. Despite the continuing importance of renting, reforms to the sector have lagged behind in England compared with Wales and Scotland, amid evidence of rising numbers of evictions. Fears of landlords leaving the sector in anticipation of more regulation may be poorly founded, although this is undoubtedly happening in Scotland. Demand for lettings remains high, reflected in rising rents. However, both the Buy to Let and Build to Rent markets have cooled.

Strains in the homeownership market have led to suggestions of a severe downturn with prices falling and a sharp rise in arrears and possessions. Prices have been reducing in real terms for some time, with nominal falls in late 2022 and through 2023. Lending has slowed and numbers of transactions have fallen, with the downturn assumed to continue into 2024. The required stress-tests have been partially eased and some lenders are using the UK government's recently extended mortgage guarantee scheme.

Help to Buy equity loans have assisted over 400,000 purchases across Great Britain since the different schemes began in 2013, with the scheme in England reportedly 'in profit' after loan repayments. In terms of helping those who could not otherwise buy, shared ownership in England has delivered 127,214 homes, and compares favourably to Help to Buy (which assisted just 70,000 in this category over a similar period).

Nonetheless, numbers of first-time buyers have fallen sharply, and within that group the proportion dependent on parental financial help has risen. More purchases are also accounted for by cash buyers.

If house-price falls are seen as harmful, then 2023 was not quite as 'bad' a year for the market as some had suggested, and there are mixed views as to whether they will continue to fall in 2024. Both the decline in transactions and mortgage lending are likely to bottom out soon, with the housing market (as is often the case) proving more resilient than many have forecast.

4. Housing expenditure plans (*John Perry*)

The past year has seen intense pressures on social landlords' finances across the UK. Many are shifting their focus towards improving the quality and safety of their existing stock, and shortfalls are starting to occur against the targets set in the new build programmes that began in 2021.

This chapter aims both to assess progress in investment in affordable housing in each of the four nations across the past year and consider future prospects. England underinvests in affordable housing compared with the three other countries: it produces fewer affordable homes per 10,000 population, housing has a consistently lower share of government spending in England, and it continues to be out-of-step with the rest of the UK in directing a high proportion of government support towards the private market.

England's Affordable Homes Programme (AHP) 2021-26 started in April 2021 with a public target to achieve 180,000 starts by 2026. By May 2022, Homes England and the Greater London Authority (GLA) had collectively allocated £9.2 billion, covering 131,000 new homes. However, the programme now looks likely to deliver

a maximum of 153,000 homes. By September 2023, some 7,600 had been completed by Homes England, with average scheme costs per home of £214,429 and average grant of £52,246 (excluding those built without grant). None had been completed by the GLA.

The chapter examines constraints on achieving the targets as well as other sources of funding apart from grant.

Scotland has an ambitious commitment to deliver 110,000 affordable homes by 2032, with at least 70 per cent being for social rent. However, December's Scottish Budget saw a cut in funding for 2024/25 of 22 per cent compared with the expected provision, drawing criticism that this jeopardised the new target. Ironically, the first full year's contribution to the target was promising, with 10,462 completions in 2022/23, the highest in more than two decades, but approvals and starts fell in 2023/24.

Wales's Programme for Government 2021 to 2026 aims to deliver 20,000 new low carbon homes for rent within the social sector over five years. After falling in 2021/22, output increased by 26 per cent in 2022/23, reaching the second highest total since 2007/08. Funding rose to £370 million in 2023/24 but has been cut slightly for 2024/25.

Northern Ireland's Social Housing Development Programme is a rolling, three-year programme to secure a minimum number of new social housing starts, set at 1,950 for 2022/23 but due to increase to 2,100 starts by 2025/26 – subject to the availability of funding. The target for 2022/23 was met, but output in 2023/24 is only expected to reach 1,500 starts after the capital budget was cut by 27 per cent. There is not yet a Northern Ireland Budget for 2024/25, although restoration of the Northern Ireland Assembly may help to restore stability to investment programmes and – possibly – enable the future of the Northern Ireland Housing Executive to be resolved.

5. Homelessness (*Lynne McMordie*)

Since devolution in 1999, homelessness policies in the UK have taken different directions. England has increasingly focused on rough sleeping, while the other

countries have placed continued emphasis on all dimensions of homelessness. This chapter looks at developments in statutory homelessness, use of temporary accommodation, rough sleeping and 'core' homelessness. It concludes by considering the impact of various homelessness policy interventions.

Wholly comparable homelessness statistics for the four UK countries are unavailable but approximate comparisons can be made. Reflecting broader rights under the Scottish statutory homelessness system, there is a significantly higher rate of 'full-duty' homelessness acceptances in Scotland compared to England and Wales, where there have been shifts in how assistance is provided. Numbers of 'full-duty' homelessness acceptances are increasing throughout Great Britain, having risen to 93,549 in 2022/23, the largest year-on-year increase (19 per cent) since 2001.

Taken together, the figures paint a troubling picture of a sustained rise in homelessness acceptances across the UK, eroding the reductions in homelessness that were previously achieved in England and Wales following implementation of their respective legislative changes.

Official statistics on use of temporary accommodation (TA) reveal a very sizeable upward trend throughout the UK, with numbers reaching historic levels in overall use and in the number of children affected. Bed and breakfast placements in England and Scotland also experienced significant increases and continue to dominate TA provision in Wales and Northern Ireland. In both England and Scotland, the escalating costs of TA are putting enormous financial strains on local authorities.

Amidst the escalating TA crisis, there is also growing concern about its impact on levels of rough sleeping, with a rising trend evident from counts across the UK.

Great Britain-wide assessments of core homelessness show that levels are consistently higher in England (1.04 per cent of households in 2022) than in Scotland (0.74 per cent in 2022) and Wales (0.68 per cent in 2020). Moreover, this is not only a London effect, with all English regions exhibiting higher rates compared to Scotland and Wales, albeit to varying degrees.

Reducing homelessness is achievable. Projections on core homelessness demonstrate that a heightened emphasis on prevention, enhanced housing supply, and improved social security measures can bring about substantial reductions. The challenge lies in securing the necessary capacity and resources needed to effectively design and implement these measures. Regrettably, there continues to be insufficient political commitment to do this.

6. Help with housing costs (*Sam Lister and Mark Stephens*)

Two topical issues about how private tenants are helped with their housing costs are tackled in this chapter.

First, it considers how the local housing allowance (LHA) operates in England, using Census and other data to examine the effects of LHA limits locally and regionally. While the Autumn Statement 2023 reset LHA at the level of the 30th percentile rent for each broad market rental area, there are geographical disparities in the numbers of households who experience a shortfall from their contractual rent. Broadly, the proportion of households with a shortfall increases with distance from London, except in the case of Scotland.

In six of ten English regions, at least 40 per cent of private renters receive benefits; they compete for the bottom 30 per cent of rents if they wish to avoid a shortfall in covering their housing costs. However, more detailed analysis shows that in a significant number of areas, the quantity of benefit claimants is at least double the number of affordable homes. Benefit claimants in London are heavily concentrated in the most affordable areas. Benefit claimants in the rest of England tend to be in depressed housing markets in northern regions or in coastal areas. But being a claimant in a low-cost area does not protect against a shortfall in covering the rent.

Government often justifies a freeze on LHA rates on the grounds that it will help keep rents from rising further. However, the evidence does not support this assertion, whether in areas with large numbers of claimants or in those with few. 'It is plainly naïve to assume that tenants will simply be able to compensate for the cuts by seeking rent reductions or cheaper properties.'

Second, the chapter considers experience in Scotland, where the government responded to the cost-of-living crisis by introducing a private sector rent freeze, followed by a rent cap. Evidence suggests that rents on new tenancies, although not targeted by the changes, have risen quickly since these were imposed. Critics have also argued that recent restrictions on rents have led to landlords exiting the sector, and there is evidence which appears to support this claim.

Although four Scottish councils have declared 'housing emergencies' and there is growing uncertainty in the market, the Scottish Government is continuing to develop proposals for a national system of rent controls. It is also consulting on proposals to temporarily change the rent adjudication process for one year from April 2024 for existing private tenancies, which are described in the chapter. They are labelled as overly complicated by critics and as rent controls through the backdoor.