



Escaping the UK housing crisis

Setting a new vision for 2015-2020

1: Introduction - The UK is stuck in an entrenched housing crisis

The extent to which our housing needs are met and we are able to live in a decent home is a crucial benchmark by which we judge the extent to which we really do live in a civilised society.

The relationship between housing and life outcomes is both a complex and important one in which the physical reality of housing interplays with social and political pressures.

For example, poor housing makes it harder to attain a decent education. Poor housing is often concentrated in financially poor areas, where school outcomes also tend to be poor. It is also the case that the physical environment can itself have a significant negative effect on ability to study. Overcrowding, noise and cold and damp all militate against high educational attainment¹.

Similar considerations apply to health, where poor housing is associated with a number of illnesses².

It follows that when there are significant problems with housing, this will impact negatively both on individual quality of life and on the UK economy as a whole.

For example, the Building Research Establishment has estimated that ill health and accidents caused by poor housing cost the NHS at least £600 million per year³.

Lack of decent housing also has a negative effect on people's ability to work effectively in their jobs. Poor housing impacts on health and education, holding back the development of human capital and general "work-readiness". In addition, the inability of workers to move easily around the country constrains the labour market⁴.

¹ See, for example, the discussion in "Social impact of poor housing", D.Friedman, ~Ecotec, 2010, pps 8-10 http://176.32.230.17/hlg.org.uk/images/stories/hlg_files/Social-20impact-20of-20poor-0housing.pdf , and also the Joseph Rowntree Foundation, "The links between housing and poverty, an evidence review", R.Tunstall, M.Bevan, J.Bradshaw, K.Croucher, S. Duffy, C.Hunter, A.Jones, J.Rugg, A.Wallace and S.Wilcox, 2013 <http://www.york.ac.uk/53D2917D-7B3F-40E1-B69D-CBDD64AA380B/FinalDownload/DownloadId-AE2CC7FF8CE54E13DD3B7389592C674B/53D2917D-7B3F-40E1-B69D-CBDD64AA380B/inst/spru/pubs/pdf/housingpoverty.pdf>

² See the Chartered Institute of Environmental Health's overview: <http://www.cieh.org/policy/housing/poor-housing.html>

³ The BRE is a former government body that is now a charity. Their research quantifies in detail the extent to which poor housing causes ill-health. See their housing-health calculator: <http://www.bre.co.uk/page.jsp?id=3021>

⁴ See, for example, D.Blanchflower and A.Oswald "The Danger of High Home Ownership: Greater Unemployment", The CAGE-Chatham House Series, No. 10, October 2013: http://www.andrewoswald.com/docs/1013bp_homeownership.pdf

Yet all forms of tenure remain mired in crisis. Home ownership has fallen in recent years and mortgage deposits are too high for many first-time buyers, social housing is in short supply and waiting lists have grown, whilst an increasing reliance on the weakly regulated private rented sector has meant higher housing costs, insecure tenancies and more people living in housing that does not meet the official *Decent Homes* minimum standard⁵.

This is an issue that affects us all, even though the majority of us are actually decently housed, since poor housing holds back the economy, puts a strain on the Exchequer, and contributes to a public squalor that only the very rich can avoid completely.

The general provision of good quality housing is both a basic need and a moral necessity. Far too many aspects of our lives are damaged when this is not fully met. The TUC sets the goal of ensuring that everybody can live in decent and affordable housing, whether owned or rented from a social or private landlord.

2: Measuring the housing problem

We live in a society with an ever-growing demand for housing and a severely limited supply. The UK's housing stock currently comprises 27.8 million residential properties but the number of households is projected to grow by 221,000 households per year between now and 2021 in England alone⁶ - nearly twice the current rate of house building.

House prices have fluctuated considerably in recent years but net increases and weak earnings growth combine to make it ever harder for first-time buyers to purchase their first home. The recent Lyons Housing Review commissioned by the Labour Party found that the average home now costs eight times the average wage⁷. The result is that **1.6million households are 'housing pinched' spending more than half their disposable income a month on housing**⁸.

⁵ DCLG, "a decent home: definition and guidance for implementation", 2006

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7812/138355.pdf

⁶ ONS (2014) Trends in the United Kingdom Housing Market 2014

http://www.ons.gov.uk/ons/dcp171766_373513.pdf

⁷ Lyons (2014) The Lyons Housing Review: Mobilising across the nation to build the homes our children need, p.6 <http://www.yourbritain.org.uk/agenda-2015/policy-review/the-lyons-housing-review>

⁸ Gardiner (2014) Housing pinched: Understanding which households spend the most on housing costs <http://www.resolutionfoundation.org/wp-content/uploads/2014/08/Housing-pinched-Understanding-which-households-spend-the-most-on-housing-costs.pdf>

The impact of the credit crunch and subsequent recession has been so big that the number of owner-occupiers has actually fallen for the first time in living memory. With little social housing being built, it's no surprise that the private rented sector has grown rapidly to fill the gap.

UK dwelling stock by tenure

Type of tenure	Number of dwellings (thousands)	Per cent of all dwellings
Owner Occupied	17,836	64.2%
Rented Privately or with a job or business	4,920	17.7%
Rented from Housing Associations	2,746	9.9%
Rented from Local Authorities	2,189	7.9%
Other public sector dwellings	75	0.3%
All Dwellings	27,767	100.0%

Source: DCLG 2012⁹

The table above shows the latest available official figures for UK dwelling stock by tenure. There were an estimated 27.7 million households in the UK. Of these 17.8 million were owner occupiers, fairly evenly split between those who own outright and those buying with a mortgage. A further 4.9 million households were renting privately, whilst the proportion renting social housing¹⁰ stands at 17.8 per cent and totals 4.9 million.

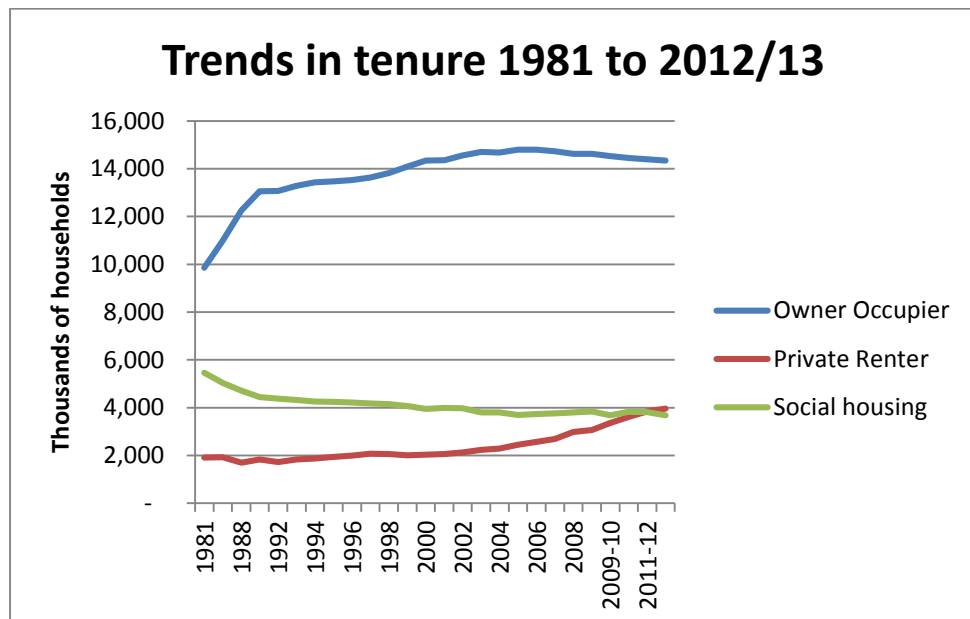
The chart below shows that the relative size of these tenures has changed significantly since the then Conservative **Government's** drive to increase home ownership started in the early 1980s.

The number of homeowners increased strongly as council houses were sold off and mortgages liberalised, but has fallen back strongly in recent years.

Social housing declined sharply in the 1980s, and more slowly since them, whilst the private rented sector was flat until the middle years of the last decade, since when the number of renters has quickly doubled.

⁹ DCLG (2014) Table 101: Dwelling stock: by tenure, United Kingdom (historical series) <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

¹⁰ The TUC defines social housing as local authority and housing association homes which are mainly rented. Affordable housing is a broader term covering anything below the market rate, mostly available to rent or some on a shared-ownership basis.



Source: DCLG Statistics

With the introduction of Right to Buy (RTB) by the Thatcher government under the Housing Act 1980 a significant amount of social housing stock was sold and not replaced due to restrictions on the use of RTB receipts and local government spending more broadly.

However councils have channelled monies through housing associations into social housing which has enabled some new social housing to continue to be built, but the results have been far below what is needed.

Housing associations have built on average 18,800 new homes per year between 1978 and 2013, ‘but this is only a fraction of what the public sector built in the post war era’¹¹. The following table shows the huge decrease in local authority homes built since the 1950s and how social landlords have taken on some of the role. It also quantifies the rapid rise and fall of private sector building.

The number of local authority-owned homes has therefore diminished over time. In 2013/14 the total stock stood at 142,900 in England¹²

¹¹ Lyons (2014) (2014) The Lyons Housing Review: Mobilising across the nation to build the homes our children need, p.7 <http://www.yourbritain.org.uk/agenda-2015/policy-review/the-lyons-housing-review>

¹² DCLG (2014) Table 602: Local authority lettings made to local authority owned dwellings, England, 2000-01 – 2013-14 <https://www.gov.uk/government/collections/rents-lettings-and-tenancies>

House building 1951-2013: UK dwellings completed by tenure

	Private	Local authority	Social landlord	All new dwellings
1951	25,485	169,021	7,350	201,856
1961	180,727	116,140	6,324	307,674
1971	196,313	151,670	16,492	364,475
1981	118,647	68,554	19,784	206,985
1991	159,536	11,229	20,870	191,635
1996	154,108	1,758	33,102	188,968
2001	152,509	355	22,332	175,196
2006	185,388	283	26,534	212,025
2007	198,480	280	27,660	226,420
2008	155,390	630	32,230	188,250
2009	122,480	840	35,050	158,360
2010	106,050	1,360	29,860	137,270
2011	106,520	3,100	32,260	141,850
2012	110,000	2,510	31,430	143,930
2013	108,850	2,080	27,040	137,970

Source: DCLG¹³

Home ownership and mortgages

House prices have increased significantly in the medium term, despite the 7.6 per cent fall in 2009. However, in the years since 2010 prices have grown by an average of about 1 per cent per annum, which is significantly less than inflation.

Nevertheless, weak wages growth and increasingly expensive mortgages have combined to make buying relatively less attractive as an option. There was some recovery in mortgage lending by 2014, although there were still 13 per cent fewer loans advanced in 2014 than in 2007¹⁴.

In 2013, the average price (mix adjusted) of a property in the UK stood at £242,000¹⁵. Although mortgage rates are low, the average deposit required from a first time buyer was around 20 per cent, compared with 10 per cent in 1995¹⁶.

The way in which housing has become less affordable was highlighted by the TUC's analysis of average (median) salaries and house prices by local authority areas. This shows that in 1997, around one in five local authority areas were 'easily affordable' with average house prices less than three times local median

¹³ DCLG (2014) Live Table 241: House building: permanent dwellings completed, by tenure UK <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

¹⁴ Council of Mortgage Lenders <http://www.cml.org.uk/cml/media/press/4128>

¹⁵ <http://visual.ons.gov.uk/uk-perspectives-housing-and-home-ownership-in-the-uk/>]

¹⁶ Sources: Council of Mortgage Lenders, Which (the consumer organisation).

earnings. Over the last 16 years the number of ‘easily affordable’ local authority areas across England has fallen from 72 to just one – Copeland in the Lake District¹⁷.

The current government introduced the *Help to Buy* policy in 2013. This has two elements: firstly government equity loans to buyers of up to 20 per cent and secondly near full government mortgage guarantees to lenders of up to 30 per cent. They both allow mortgages of up to £600,000 and are available to people moving up the mortgage ladder as well as first-time buyers. Just over 48,000 people have bought a home through the scheme.

The outcomes could be said to have been mildly progressive. 82 per cent of home purchases have been by first-time buyers and the average house price was £187,800, which was below the national average¹⁸.

However, the TUC argues that this policy could have been drawn more tightly to homes at or below the average house prices and made available exclusively to first time buyers, who are usually those who need to buy most desperately. More fundamentally, this initiative is too small a scale to deal with the problem of lack of access to mortgages and does nothing to address the housing shortage.

On the decline of home-ownership, although housing statistics only emerge after a long lag, what we already know is enough to cause deep concern.

Between 2008 and 2013, the number of owner occupiers in Britain fell by 419,000¹⁹.

Furthermore, for the first time in living memory the number owning outright overtook the number buying with a mortgage, which is a mark of the extent of the constriction of the mortgage market.

Social Housing has fallen way behind demand

Whilst there has been some modest recovery in house building and the availability of mortgages, as shown above, this has fallen far short of what is needed to deal with the scale of unmet demand.

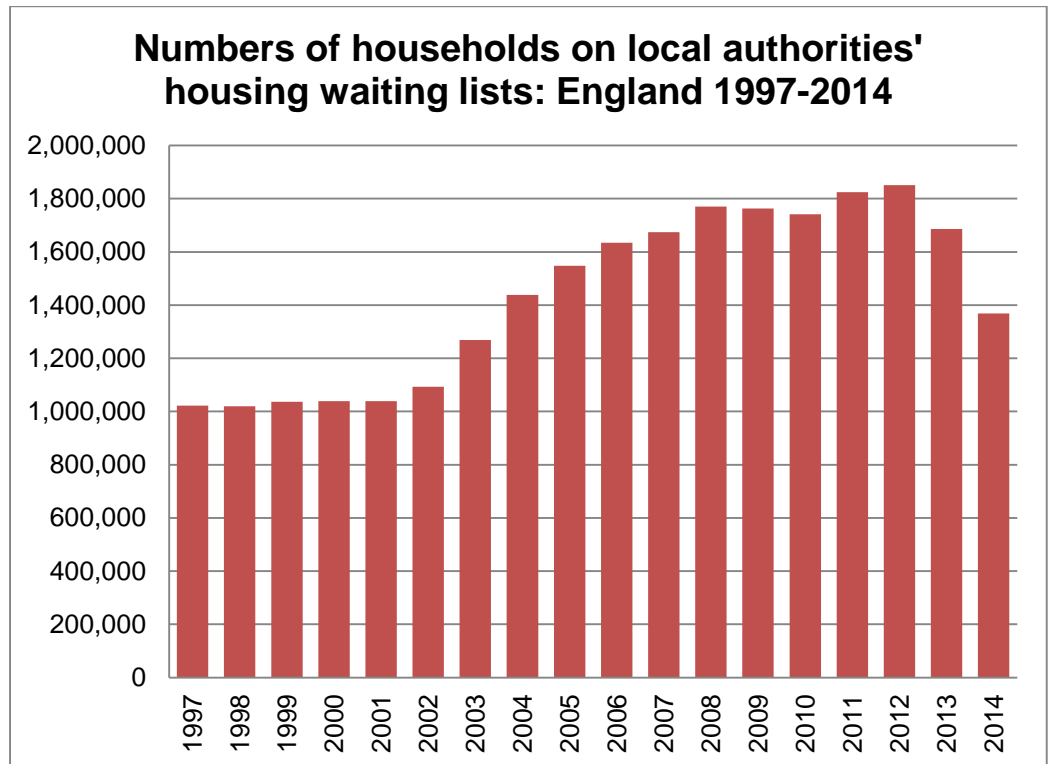
The position is very much worse for social housing. Due to lack of building and RTB sell-offs, waiting lists for social housing have grown sharply since 2003, as

¹⁷ <http://www.tuc.org.uk/economic-issues/labour-market/copeland-lake-district-last-place-left-england-%E2%80%98easily-affordable%E2%80%99>

¹⁸ <https://www.gov.uk/government/news/help-to-buy-helping-first-time-buyers-onto-the-housing-ladder>

¹⁹ Sources: English Housing Survey, Scottish Housing Survey, Statistics Wales

the chart below indicates. In April 2014 in England alone the waiting list for social housing stood at 1,368,312 households. This is a very significant increase (40 per cent) on 1,021,664 families waiting in 1997²⁰.



Source DCLG ²¹

Note that while the waiting lists have decreased sharply since hitting a high of 1,851,426 in 2012, this is not due to need being met, but is simply the result of many local authorities setting much tighter conditions for being on the list²². The true position is therefore much worse than the chart above shows – and the recorded figures are plenty bad enough as they stand.

During the current parliament, the UK government has adopted a policy of boosting the sales of social housing, with the result that sales have risen from 8,600 to 26,300 per year between 2010/2011 and 2013/2014. A government

²⁰ DCLG (2014) Live Table 600 Rents, lettings and tenancies: numbers of households on local authorities' housing waiting lists <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies>

²¹ DCLG live table 600 Rents, lettings and tenancies: numbers of households on local authorities' housing waiting lists1, by district2: England 1997-2014

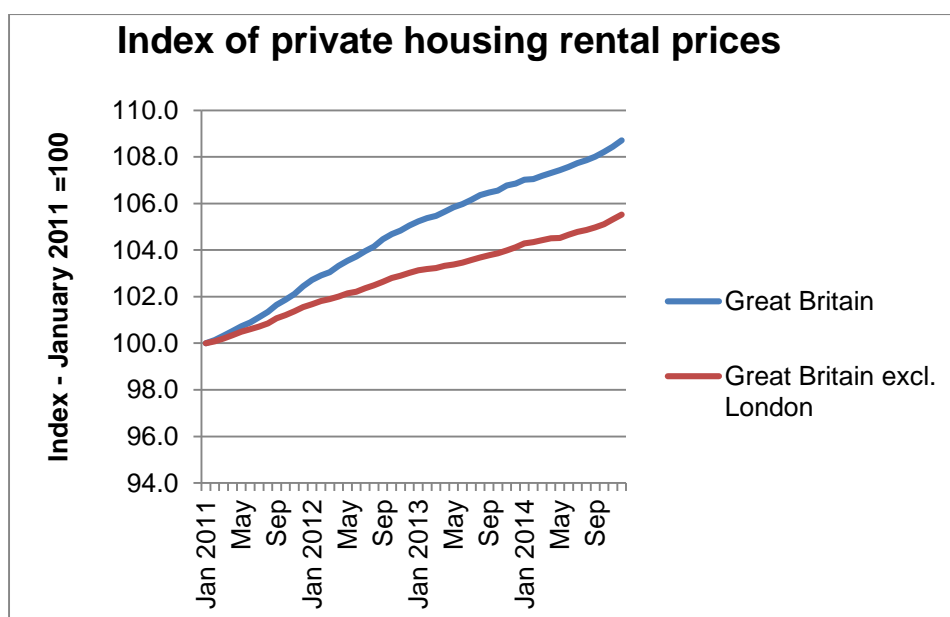
²² See, for example, news report: <http://www.theguardian.com/money/2014/feb/01/council-house-waiting-lists-slashed>

commitment to build replacement on a 1-for-1 basis has not been met, with the result that the stock has shrunk still further.

This approach contrasts strongly with that of the Scottish Parliament, which has simply ended Right to Buy, and that of the Wales Assembly Government, which has suspended RTB in Carmarthenshire, where there is a particularly acute shortage of social housing, and is seeking to bring in a moratorium across the whole country.

The RTB scheme, allowing tenants the opportunity to buy social housing at a discount is simply inappropriate at a time when it is in very short supply and there is unmet housing need. The TUC therefore calls for an immediate UK-wide moratorium, which should only be reviewed when the net social housing stock has increased by 250,000

Private sector rents have risen rapidly
 The private rented sector has grown strongly since the credit crunch cut off the supply of cheap mortgages. Given the long-running reduction in the availability of social housing, it is unsurprising that in 2012/13 the size of the private rental market overtook social housing rental for the first time to become the second largest housing sector in England, after owner-occupation. The latest figures show the sector continuing to grow



Source: ONS ²³

²³ ONS (2015) Index of Private Rental Housing Prices, Reference Tables

<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-381141>

Private landlords have enjoyed rapidly rising rental incomes in a market where **both tenants' rights and broader regulation are weak**. The graph above shows that rents have continued to rise in the last four years, and the problem is particularly acute in London.

The most recent figures show that in the year to December 2014, private rental prices paid by tenants rose by 1.7 per cent in Great Britain and 2.4 per cent in London²⁴. With rents averaging £176 per week (and an eye-watering £281 in London)²⁵ it is an option that many people have been forced into by the current lack of alternatives.

The TUC's raft of proposals, which include building more houses of all tenure types, making mortgage finance more affordable and available, and introducing more secure tenancies in the private rented sector should take much of the pressure off of rent increases. However, to ensure that excessive rent increases are brought under control the next government should also consult on the introduction of rent controls.

Shelter has advocated following the example of countries like Germany, France and Spain, which use rent controls in the following way. Rents are determined by the market at the outset; but renters have longer term contracts and their rent can only be increased by the rate of inflation as long as they are in these contracts²⁶.

Employment conditions in the building industry

Decent employment conditions are not only important for workers in the industry but are also a key condition for the **industry's** success.

UCATT, Unite and the GMB negotiate a national agreement in the building industry, through the Construction Industry Joint Council²⁷. But there are still some serious challenges to be met by the industry.

First, there are now a quarter of a million fewer employees working in construction than there were in 2008. The position did not improve between 2010 and the end of 2014²⁸.

²⁴ ONS (2015) Index of Private Rental Housing Prices, October to December 2014
<http://www.ons.gov.uk/ons/rel/hpi/index-of-private-housing-rental-prices/october-to-december-2014-results/iphpr-stb-oct-to-dec14.html>

²⁵ Ibid

²⁶ Shelter Policy Blog, 24.2.2014: <http://blog.shelter.org.uk/2014/02/are-rent-caps-the-answer/>

²⁷ <https://www.ucatt.org.uk/files/publications/2013cijcagreement.pdf>

²⁸ The employee workforce in construction numbered 1,352,000 in both autumn 2010 and autumn 2014. Source: ONS table Emp14 (All employees by industry and sector), updated March 2015.

Second, the industry is plagued by bogus self employment, which may affect as much as half of the construction workforce. False self-employment of construction workers presents a loss to workers as they miss out on a range of employment rights including paid sick leave; holiday pay; overtime rates; redundancy pay; travel allowances; pension contributions and employment protections. It also gives companies using bogus self-employment a further unfair competitive advantage as they do not pay National Insurance contributions.

In addition, estimates show the Chancellor losing out on as much as £1.7 billion per year in tax and NICs.

The current government has acted to constrain **the use of “umbrella”** companies as employment intermediaries, but this will not be enough to deal with the problem.²⁹ Stronger measures are needed to ensure that workers are not exploited, and there must also be an end to the misuse of temporary agency workers³⁰ and the mistreatment of migrant workers.

Third, the industry has been blighted by the widespread use of blacklisting. Although it has been well-established that 44 companies used the Consulting Association blacklist to vet new recruits and keep out of employment trade union and health and safety activists, and that 3,214 construction workers were affected, none of the companies involved has even apologised. The construction unions are currently pursuing a joint legal case on the issue.

In addition, the TUC calls for the release of all papers relating to the Shrewsbury 24 trials, which we believe to have been a miscarriage of justice³¹.

What is also needed is a positive new commitment from government and employers in construction, housing maintenance and the supply chain to provide high quality employment.

The model used in the 2012 Olympics should be a starting point, but this could be bettered, so we must learn from and build on our experience of this agreement.

²⁹ Indeed, it is estimated to make £440 million for the Exchequer – about a quarter of what they are estimated to lose from bogus self-employment. (Source for all figures: Anthony Seely, “Self-employment in the Construction Industry, House of Commons Library, June 2014 <http://www.parliament.uk/business/publications/research/briefing-papers/SN00196/selfemployment-in-the-construction-industry>

³⁰ The TUC lodged a formal complaint with the European Commission over the mistreatment of agency workers (2013): <https://www.tuc.org.uk/workplace-issues/employment-rights/proposed-changes-law/basic-rights-work/tuc-lodges-complaint>

³¹ The Shrewsbury 24 campaign: <http://www.shrewsbury24campaign.org.uk/>

There must be access for unions, decent pay and conditions, proper training (including in new environmentally-friendly construction techniques), permanent direct employment with guaranteed hours, an end to exploitative zero hours contracts, an increase in the number of apprentices and robust health and safety standards.

In particular, the procurement power of national and local government could be harnessed to support respect for and enforcement of the industry union agreement, local employment opportunities and the employment of apprentices.

Meeting the housing challenge will need a strong focus on improving skills in both construction and the supply chain and housing maintenance and modernisation. National coordination will be needed in order to bridge the skills gaps that would otherwise emerge as the industry increases its output. Unionlearn³² has a strong role to play in delivering these goals, including delivering learning to adults in the industry. The agenda includes training for new entrants, upskilling existing workers, including in new environmental construction techniques and improving both the number and diversity of the apprentice intake, which is still very disproportionately male at the moment.

Sadly, construction accounted for 42 out of the total of 133 fatal injuries recorded by the Health and Safety Executive (HSE) last year³³. In other words, an industry that comprises of 5.2 per cent of employees is plagued by 31.6 per cent of deaths at work, a figure that is seven times higher than the average. Improving health and safety in the industry must thus be an absolutely key concern and the very highest priority. There must be an urgent review of workplace safety arrangements including support for occupational health.

Greening construction and modernisation

It is important to ensure that the UK's housing stock is energy efficient and has a low impact on the environment. This is not just an issue for new build, but an upsurge in construction would represent a significant opportunity to make a step-change in greening both the construction process and the new homes that will result.

Taking a more strategic approach to integrating environmental considerations would not only generate economies of scale but would also help to ensure that the jobs created have decent terms and conditions. From the consumers' point of view, such an approach would help to ensure quality and reduce energy bills.

There are a number of important points that should be considered when making decisions about the siting of new housing:

³² <https://www.unionlearn.org.uk/>

³³ HSE, Statistics on fatal injuries in the workplace in Great Britain 2014: <http://www.hse.gov.uk/statistics/pdf/fatalinjuries.pdf>

- New development should be accompanied by an environmental plan.
- It should be sited close to employment and should generate good jobs both for those constructing new homes and the people that will live in them.
- The construction workforce and employees in the supply chain will need to be trained to deliver new techniques to ensure the highest possible environmental standards
- New developments should be mixed tenure, delivering sufficient social and affordable housing in each location. There should be a strong role for local authorities in building and managing the social housing element of this target.
- There should be good public transport links and infrastructure.
- New projects should ensure energy efficiency, minimise the production of waste material and aim towards water neutrality.

The scale of the house building challenge

The Lyons Housing review commissioned by the Labour Party (October 2014) estimated that England alone needed to build 243,000 homes a year just to accommodate the projected 7.2 million increase in population over the next twenty years.

The shortfall has been substantial. Over the last ten years an average of 137,000 homes per year has been built in England, creating a backlog of one million homes³⁴.

Labour has promised to set a target of at least 200,000 new homes per year in England and Wales. This falls somewhat short of the amount identified in the Lyons Report.

The TUC argues for a higher target of 250,000 new homes per year for the UK during the next parliament.

The following chart shows that the current government has simply been unable to revive house building numbers³⁵, despite an early pledge to do so³⁶ and a recent

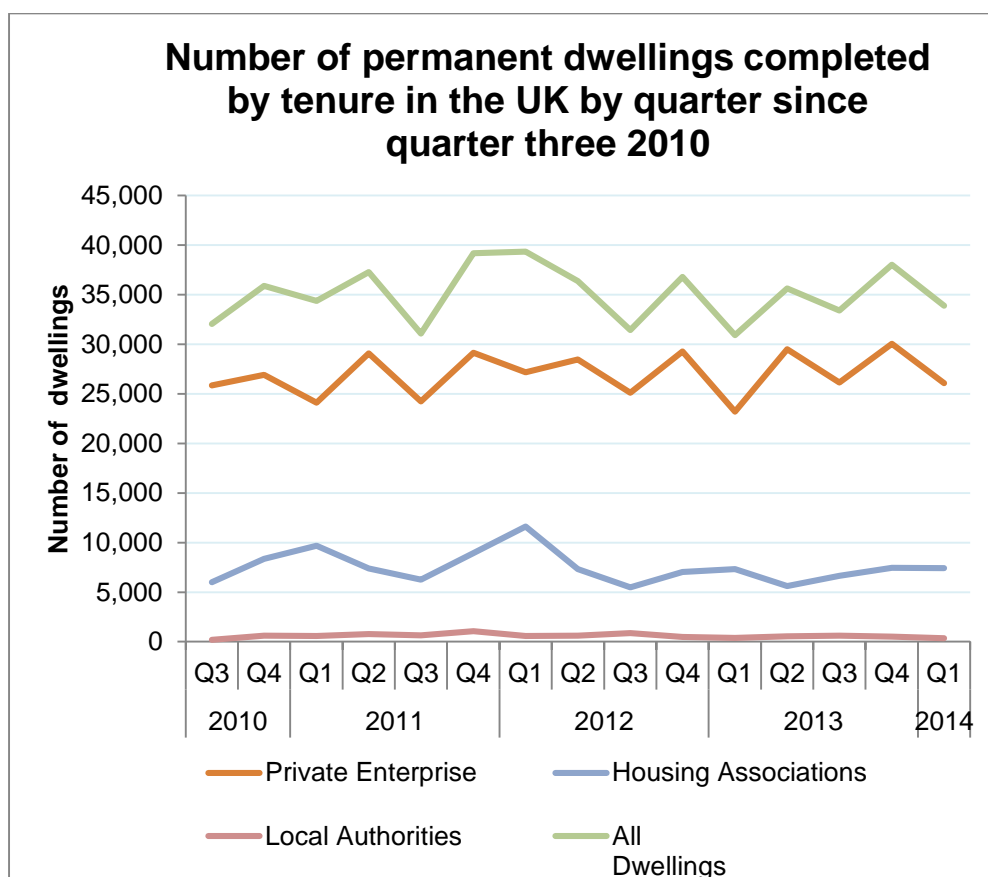
³⁴ Lyons (2014) The Lyons Housing Review: Mobilising across the nation to build the homes our children need, p. 18 <http://www.yourbritain.org.uk/agenda-2015/policy-review/the-lyons-housing-review>

³⁵ Table 211 House building: permanent dwellings started and completed, by tenure, United Kingdom (quarterly) <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

³⁶ “Building more homes is the gold standard upon which we shall be judged. The idea is to get a system which delivers housing in this country.” - Grant Shapps, housing minister at the time, 13 September 2010.

assertion that “great progress has been made, but this is no time for complacency” by the current housing minister³⁷.

The most recent figures on output in construction sector indicate that in January 2015 output had decreased by 2.6 per cent compared with December 2014³⁸.



Source: DCLG³⁹

Under the coalition government, an average of 140,000 homes was built each year (2010-2014). The figure was higher under the Labour government, with an

³⁷ Brandon Lewis, “our plan to build even more homes” Conservative Home 4 March 2015 <http://www.conservativehome.com/platform/2015/03/brandon-lewis-our-plan-to-build-even-more-homes.html>

³⁸ Output in the Construction Industry, January 2015 and New Orders, Quarter 4 October to December 2014 <http://www.ons.gov.uk/ons/rel/construction/output-in-the-construction-industry/january-2015/stb-construction-january-2015-and-new-orders-q4-2014.html>

³⁹ Table 211 House building: permanent dwellings started and completed, by tenure, United Kingdom (quarterly) <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

average of 190,000 new homes per year completed (1997- 2010)⁴⁰. Therefore, based on these figures, the current government have constructed 74 per cent of the number of homes achieved by the previous Labour government and have not made as significant a contribution to addressing the undersupply of housing.

It is also the case that the shortage is biting hardest in London and the south-east, where house prices have risen fastest. The table below show the extent of the north-south divide. Continued negative equity continues to be a factor in holding back recovery in some regions in the north.

House prices in England and Wales 2010-2015 (nominal)

	Change since May 2010	Change in past year	Average price February 2015
North East	-4.5%	3.7%	£102,061
North West	-5.2%	0.7%	£111,259
Yorkshire and the Humber	-1.9%	2.8%	£121,454
West Midlands	1.2%	5.0%	£138,982
East Midlands	6.4%	4.4%	£134,032
East	16.5%	10.5%	£202,394
London	40.5%	13.1%	£463,872
South East	16.3%	9.0%	£242,469
South West	6.4%	5.1%	£186,124
<u>Wales</u>	2.9%	5.4%	£123,941
England and Wales	10.8%	6.5%	£180,252

Source: Land Registry for England and Wales data

Another way of measuring demand is to look at the incidence of proprieties that are left vacant for long periods, although some caution is needed in interpreting this measure because of the recent phenomenon of foreign investment in expensive London properties that are deliberately left vacant until resold.

In all there are 216,000 thousand properties recorded as long-term vacant in England, amounting to 0.9 per cent of the total stock. The comparable figure for London is just 0.6 per cent whilst, for example, Hartlepool's 1.9 per cent is more than twice the national average⁴¹.

⁴⁰ Table 209 House building: permanent dwellings completed, by tenure and country
<https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

⁴¹ Source: DCLG housing statistics. Dwelling stock by local authority area and vacant properties by local authority area, tables 125 and 615. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

In setting out plans for a building programme, government should not just map current patterns of housing need but should also look at what can be done to stimulate the wider UK economy, so that all parts of the UK benefit.

Local authorities should build be able to build more social housing
Local authorities can build social housing relatively cheaply. A sample of small recent developments suggests that new council homes cost between £50,000 and £75,000 per unit. The current price could be reduced by economies of scale arising from bigger developments and some use of co-ordinated procurement, providing that attention is also given to ensuring that there are no significant supply chain or skills shortages.

Local authorities are also making a modest saving in the process of buying land that does not have prior planning permission. A government paper implies that this benefit may be in the region of £3,000 per home⁴².

The main reason why local authorities do not build more homes at the moment they is that they are constrained by politically-imposed financial constraints, most notably by the limitations placed on the Housing Revenue Account (HRA) .

The HRA is the ring-fenced element of a local authority's budget dedicated to housing. The financing of local authority housing was reformed in April 2012, changing the basis for HRA funding from a system of national subsidy (based on the pooling of rental income and central reallocation) to one of self-financing.

In principle this might offer opportunities for local authorities to leverage existing and future housing assets to increase housing stock, as well as to improve and maintain it, by borrowing against their housing assets. However, the amount authorities are able to borrow is firmly capped by the Treasury because housing investment borrowing contributes to the Public Sector Net Cash Requirement in the UK and the statutory priority for borrowing is often to ensure that existing stock meets the Decent Homes standards.

There is a compelling case for lifting the HRA borrowing caps; points to consider include the following:

⁴² See “Impact assessment for affordable rent”, DCLG, p9, which sets out the likely benefits from building 150,000 affordable homes. Our working assumption is that local authorities will retain about half of the planning permission benefit.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6021/1918816.pdf

- Local authorities have been borrowing prudentially under Chartered Institute of Public Finance and Accounting's code⁴³, which specifies affordability, since 1993 without significant failure.
- It is perverse that prudential borrowing is permitted against local authorities' General Funds but this must not be used for housing, whilst borrowing against the asset-rich HRAs is firmly capped.
- The international norm is a narrower definition of public debt than that adopted by the UK. It would be possible to tweak the current definition to allow more investment in housing.

Small wonder then that a wide range of politicians and public bodies support reforming the cap to allow local authorities to borrow to build social housing⁴⁴, in the same way that housing associations have done. The TUC urges the next government to make this reform.

However, it also seems certain that central government could obtain the best rates of borrowing to fund the social housing programme that is needed by issuing bonds.

Housing associations are already increasingly issuing public bonds, secured against social housing assets, to meet financing requirements.

Given the stable income stream from social housing, explicit government support and the strength of their collateral comprising of fixed charges on their social housing properties, we believe that the use of government bonds to construct social housing is certain to offer best value for money. The attendant stream of rental revenue should provide enough income both to service the debt and to pay off the bond within a period of 50 years without increasing social housing rents above their current trajectory⁴⁵.

⁴³ <http://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2011-edition-book>

⁴⁴ To quote but two sources, London Mayor Boris Johnson has spoken in favour, endorsing the report of the London Finance Commission (2013). <http://www.london.gov.uk/sites/default/files/Raising%20the%20capital.pdf> and the House of Commons Communities and Local Government Committee also argued for this in their 2012 report "The financing of new housing supply: <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmcomloc/1652/1652.pdf>

⁴⁵ Note that governments are in any case cautious about the effects of increasing social housing rents, since 68 per cent of housing benefit claims are from this social sector, so increased rents would lead to a transfer of resources from central to local government. <https://www.gov.uk/government/statistics/housing-benefit-and-council-tax-benefit-caseload-statistics-published-from-november-2008-to-present>

Taxation and housing

The next government needs to ensure that the tax regime strikes an appropriate balance between incentivising the provision of more homes and ensuring that sufficient tax is paid on wealth and capital gains.

Our initial view is that properties should be re-valued for the purposes of council tax. An eight band system applies to England and Scotland and a nine band system to Wales. The threshold for the top rate is currently a value of £212,000 in Scotland, £320,000 in England and £424,000 in Wales.

There is a very strong case for adding an extra band in England and Scotland in order to make the tax more progressive. In London, the council tax top band threshold now represents only 69 per cent of the average sale value. It seems to us to be right that the owner of a house worth, say, a million pounds, should pay more council tax than the owner of the average London property. There is obviously a close association between owning a very expensive house and having significant income and wealth.

This proposal certainly meets the tests for good progressive taxation, which are that wealth should be taxed as well as income, that those who have more should pay more, and that there should be sufficient rebates to allow for hard cases⁴⁶. **Labour's** proposals for a “mansion tax” could also easily be engineered to meet these considerations.

Other issues include re-examining stamp duty for those buying houses, tax allowances for landlords for wear and tear and related allowances, and council tax discounts for second homes. Our priorities for the tax regime are that it should encourage the provision, repair and modernisation of homes whilst discouraging over-reliance on purchasing and holding housing simply as an investment, profiteering and second homes left empty.

We are particularly concerned that individuals and companies frequently buy houses as an investment and leave them empty (mainly, but not exclusively, in London). The current government has for the first time introduced capital gains tax on non-UK residents selling property from April 2015 onwards⁴⁷.

But this charge only applies to “closely held” companies (commonly with five or fewer shareholders). “Diversely-held” companies with broader ownership and the

⁴⁶ Often stated. For example, a well-known exposition can be found in the report of the Royal Commission on Income and Wealth, HMSO, 1975.

⁴⁷ The Finance Act 2015. CGT will be payable at a rate of 20 per cent.

widely-marketed Open Ended Investment Companies⁴⁸ and Unit Trusts are not covered.

The new government must question whether it is appropriate for overseas companies and individuals to buy UK properties and leave them empty with being taxed on the money that they make. It seems to us that this practice is exacerbating the housing crisis.

More could be done to tax the profits made on housing bought for investment and left empty, whether owned by private individuals, corporations or other forms of business. This would rely on a suite of measures including strengthening the following: corporation tax, stamp duty land tax and the annual tax on enveloped dwellings.

In addition, more research is needed to establish why councils rarely use their power to levy the council charge at a rate of 150 per cent on dwellings left empty. Local authorities are in a strong position to know how to find such dwellings, since they are associated with lack of registration to pay council charge or to vote.

Conclusion

Successive governments have not done enough to ensure that decent housing is available to all, with the net effect that many people in the UK cannot fully meet their housing needs and aspirations. The current situation is bad, and projections of the scale of housing need show this problem is set to worsen, with the number of one-person households continuing to increase and an aging population. We urgently need a new vision for housing.

The next government needs to make housing a high priority, addressing the TUC's ten key points where change is needed.

⁴⁸ See the Open Ended Investment Company Regulations 2001. In an open-ended company the manager must create shares when money is invested and redeem shares as requested by shareholders.

Making housing fit for 2020 – ten key points to address

- Increase private sector home-building
- Ensure stable house prices that do not outstrip affordability or trap buyers in negative equity. Affordable mortgages for first time buyers
- Ensure a very substantial increase in social house building - local authorities to be able to raise finance to build
- Introduce a moratorium on *Right to Buy* sales
- Better regulate private sector landlords
- Ensure more stable tenancies in private sector
- Set targets to ensure that all rented housing meets decent homes standard.
- Ensure that UK construction supply chain gets maximum benefit
- Green construction
- Quality employment in housing construction and the supply chain

Our target is that there should be a net gain of at least 1,250,000 new UK homes during the next parliament (250,000 per year), and this must include a high percentage of social housing. Our goals are easily stated and we set out in the next section how they might be delivered.

- Increase private sector home-building

The rate of private house building could be increased if both the supply and demand factors were addressed simultaneously. Increasing demand rests on a stable economy, decent employment, good wages and the availability of affordable finance. Increasing supply rests both on increasing demand and increasing the major house-builders' desire to build. There is an obvious tendency for the building companies to manage output to match the market and maintain price growth. The major builders rely on a small core establishment and a large web of contractors, so they find it relatively easy to trim production in bad economic times. Government can incentivise building by the provision of land, including cracking down on land-banking by house-building companies or investment funds wherever it exists, facilitating more planning permission and other measures. We fear that this may still not be enough, and there is merit in government building some houses for short term rent and medium term sale if the private sector **won't commit to build fast enough**

- Ensure stable house prices that do not outstrip affordability or trap buyers in negative equity. Affordable mortgages for first time buyers

The government has a duty to ensure that its citizens are properly housed. They must therefore take a more active role in managing the housing market and resume setting targets for building and mortgage approvals. Government also has a number of levers for influencing the behaviour of the banks, through ownership, regulation, taxation and other methods. In addition, there is no reason why government should not provide reasonably-priced loans for house purchase

directly, based on a ten per cent deposit. Such a programme certainly does not necessarily need to continue the current policy of merely supplementing the efforts of the banks as in the case of *Help to Buy*.

- Ensure a very substantial increase in social house building - local authorities to be able to raise finance to build

A massive effort to build more social housing (local authority and housing association homes) is urgently needed. The model of depending on planning gain simply does not deliver enough finance to build what is needed. There should be a strong role for housing associations, but the most obvious way to deal with the issue is to set targets and incentivise local authorities to borrow to build, with loans paid back through the revenue stream generated by rental. There is no reason why government should not fund housing lending through bond issues. Housing debt is based on strong collateral, and government might expect to produce a surplus on this kind of investment vehicle⁴⁹.

- Introduce a moratorium on Right to Buy sales

It cannot be right to sell social housing while there is an acute shortage, especially at a huge discount⁵⁰. The TUC calls for a rapid programme of social house building. In addition RTB sales should be subject to an immediate moratorium across the UK which should only be subject to review when the net stock of social homes has increased by a total of 250,000.

- Better regulate private sector landlords

Private sector landlords are not registered in any way and cannot be disqualified in the way that company directors and even pet-owners may be if they behave badly. Most landlords are respectable and try to be fair, but lack of regulation leads to more accommodation being offered in poor condition than should be the case, and the rental boom has drawn more “cowboys” into the sector. Furthermore, since there is no register of landlords it is also hard for the government to know whether tax is paid on rental income. The next government should consult on the introduction of rent controls to put an end to excessive increases.

- Ensure more stable tenancies in private sector

Most tenants are now on Assured Short Hold tenancies, a formulation developed in the 1980s and 1990s specifically in order to make tenants less secure. After an

⁴⁹ Part of the economic payback is direct and immediate. Every affordable home built in England creates 2.3 jobs and generates an additional £108,000 in the wider economy. (Source: Grainia Long, Chief Executive of the Chartered Institute of Housing, in the Fabian Society pamphlet “how Labour can change Britain.”)

⁵⁰ Up to £100,000 in London and £77,000 in the rest of England.

initial six month period the tenant is effectively put on a rolling two-month contract. The landlord can ask the tenant to leave and can seek possession without giving any reason. This means that the landlord may take action for a reason that would otherwise be unfair, such as a discriminatory reason. It has also led to the rise of “revenge evictions” – landlords seeking possession because they have fallen out with tenants over issues like repairs. There are also some reports of tenants being victimised because of their sexuality.

➤ Set a target to ensure that all rented housing meets decent homes standard. The Decent Homes Standard is a government standard for social housing (summary - free from hazards, in reasonable repair, having modern amenities and reasonable warmth⁵¹). Around 200,000 social homes failed to meet this standard last year. Government should go further and set a target that all rented housing, including that in the private sector, must meet this modest decency threshold by 2020. There is also merit in considering whether loans could be made available to owner—occupiers to meet the same standard. There should also be stronger enforcement of decent standards for tenants. At the moment too many landlords were getting away with letting substandard homes and even accommodation that was unfit for human habitation.

➤ Ensure that the UK construction supply chain gets maximum benefit Because house building relies extensively on contracting, skills and capacity are eroded every time the industry runs down. For example, the TUC recently reported that the UK is now a net importer of bricks⁵². Government needs to work with the industry and trade unions in order to build skills and supply chain capacity so that the UK construction supply chain can get the maximum benefit from increased house building, repairs and modernisation.

➤ Green construction
New homes must be energy efficient, have a low carbon impact, and minimise the negative impact of commuting. A massive programme of house building will necessarily involve both Brownfield development and the realisation of the Eco-towns concept. This work should build on and intensify the programme of the Green Construction Board⁵³, which is currently suffering from a distinct lack of trade union representation. There must be continuous improvement in green construction standards as the programme is rolled out.

⁵¹

<http://webarchive.nationalarchives.gov.uk/+/http://www.communities.gov.uk/housing/decenthomes/w/hatis/>

⁵² <http://touchstoneblog.org.uk/2014/10/boriss-brick-made-at-home-but-brick-imports-are-rocketting/>

⁵³ <http://www.greenconstructionboard.org/>

➤ Quality employment in housing construction and the supply chain
Providing good employment should be part out of a significant house building programme if the UK is to gain the maximum benefit. The model used in the 2012 Olympics should be a starting point, but this could be bettered. There must be access for unions, decent pay and conditions, proper training (including in new environmentally-friendly construction techniques), a large number of apprentices drawn from a more diverse background and much more robust health and safety standards.

Meeting the ten-point housing challenge

A government that adopts the TUC's ten-point programme will be able to achieve significant progress towards the worthy aim of ensuring that all its citizens are properly housed.

This is an inherently valuable goal, but the attendant economic and social benefits would reach far more broadly. Investment in housing is good value for the UK economy, both in terms of its multiplier effect **with “every £1 of public investment in new housing is currently generating £3.51 of economic output”** according to Shelter⁵⁴, and in helping the labour force to become healthier, better educated and more mobile – and thus more able to work productively.

⁵⁴ Shelter Research Brief “housing investment” 2010.

https://england.shelter.org.uk/_data/assets/pdf_file/0008/276668/Briefing_Housing_Investment_Part_1.pdf