

REPORT

# ALIKE IN DIGNITY?

## HOUSING IN BRADFORD



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Responsibility for the research, including any omissions and errors, remains with the author.

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**‘Having levelled my palace, don’t erect a hovel and complacently admire your own charity in giving me that for a home.’**

*Emily Brontë, Wuthering Heights*

## GLOSSARY

AR	Affordable Rent (social housing product offered at up to 80 per cent of market rent)
Back-to-back terraced housing	Terraced houses built to share a rear spine wall, with no rear windows, back doors or gardens. The building of back-to-backs was prohibited in 1909 by the Housing and Town Planning Act
BCHT	Bradford Community Housing Trust
BMDC	City of Bradford Metropolitan District Council
BME	Black and minority ethnic
BIS	Department for Business, Innovation and Skills
CBL	Choice-based letting
CLG	Department for Communities and Local Government (also DCLG)
Decent Homes	<p>A standard issued by CLG (2006) to support the target that all social housing should be 'decent' by 2010; the definition applies to all tenures. It includes the following criteria:</p> <ul style="list-style-type: none"> <li>• current statutory minimum standard for housing (absence of category 1 hazards)</li> <li>• reasonable state of repair</li> <li>• reasonably modern facilities and services (such as kitchen 20 years old or less; bathroom 30 years old or less)</li> <li>• reasonable degree of thermal comfort.</li> </ul>
GMCA	Greater Manchester Combined Authority
HA	Housing association – used as shorthand for registered social housing providers, including former 'RSLs'
HB	Housing benefit
HCA	Homes and Communities Agency
HMO	House in multiple occupation – includes shared houses, bedsits, self-contained flats, where amenities are shared by more than one household. Large high-risk HMOs must be licensed.
HMR	Housing market renewal
HPI	House prices over incomes
Incommunities	The largest social housing provider in Bradford (following LA stock transfer)
LA	Local authority
LEP	Local enterprise partnership
LHA	Local housing allowance
LME	Low to middle earners
LTV	Loan to value (ratio in mortgage finance)

NHB	New Homes Bonus
NDP	Neighbourhood development plan
NPPF	National Planning Policy Framework
Over-accommodation	A definition of the number of rooms that households in receipt of HB will be entitled to according to the 'bedroom standard'. Those with 'spare room' are described as 'over-accommodated'. Sometimes also referred to as 'under-occupying'.
PRS	Private rented sector
PwC	PricewaterhouseCoopers
RTB	Right to buy
RSL	Registered social landlord – more recently known as registered providers
UC	Universal credit
Under-accommodation	Those households in receipt of HB who are overcrowded, in other words there are not enough bedrooms relative to the family size. The opposite of 'over-accommodation'.

# EXECUTIVE SUMMARY

This report forms part of IPPR's ongoing fundamental review of housing policy. In addition to its analytical and briefing papers, IPPR has also published two case studies: this report on housing in Bradford and another on housing in London.<sup>1</sup>

The Bradford case study reveals the following key themes:

- the challenge of balancing the structural change in tenure with local and national housing strategies
- the impact of the increasing share of the private rented sector (PRS) on housing strategy in the 'market sector' and the housing benefit (HB) sub-sector
- the industrial legacy's influence on Bradford's housing market and economy
- the role of empty homes in regeneration and housing supply
- the impact of the government's welfare reforms on housing in Bradford and similar areas across the north of England
- housing supply challenges in a weak market with low investor confidence
- the new landscape of 'localism' in housing policy.

## The big picture – structural tenure change

Public policy has favoured home-ownership for decades, yet there is an increasing gap between the majority of people's incomes and the cost of buying an average-priced home, making home-ownership unaffordable for an increasing proportion of the population. Over two-thirds (68 per cent) of new households formed in 2008–2009 and 2009–2010 were living in the PRS. In addition to affordability, other factors contributing to this trend include long-term insecurity in the labour market (which jeopardises income security and requires geographic mobility), a shortage of socially rented affordable homes, and, to some extent, people's lifestyle choices. Therefore owner occupation has declined; the PRS has grown steadily and now represents approximately 16 per cent of all households. Although some analysts have suggested that home-owning aspirations, particularly among the younger generations, could be waning, the IPPR survey of Bradford residents that forms part of this research suggests that the majority of renters still aspire to own their own homes, but that many social and private renters accept that they are unlikely to do so. A national IPPR survey of young people showed that despite the increasing difficulties of home-ownership, 62 per cent of young people on low incomes expect to be able to purchase a home in the future.

Although institutional investment is often seen as a potential solution to enable the UK housing market to provide long-term, high-quality rented homes, it has also been identified as a barrier to increasing the share of large-scale residential lettings development. The Treasury (2010) launched a consultation into the tax regime for institutional investment, yet the government has not committed to reforms in this area beyond stamp duty land tax relief on bulk purchases. The wider regulatory and tax regime governing real estate investment trusts, for example, continues to be a disincentive in this field and large investors remain likely to prefer commercial property.

Consequently, the PRS is, for the most part, a cottage industry: currently 75 per cent of landlords are private individuals or couples – 50 per cent with a portfolio of less than five properties – and 33 per cent of all private rental properties are financed with buy-to-let mortgages. The PRS should be taken seriously in policy debates; a growing number of households live in this sector.

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<sup>1</sup> See at <http://www.ippr.org/publications/55/9064/affordable-capital-housing-in-london>.

The English Housing Survey of 2009 shows that 30 per cent of PRS households have dependent children, which is above the average rate across all tenures (28 per cent). Moreover, a significant proportion of these are single-parent households (12 per cent, compared to 7 per cent across all tenures). Therefore there is an acute need to improve the housing offer in the PRS, where affordability, decency, landlord professionalism and security of tenure are a concern. Although local authorities are in a strong position to improve this situation, their success depends to some extent on the regulatory framework set by Whitehall.

### Housing and localism – from top-down targets to bottom-up incentives

The Coalition government's housing strategy, *Laying the Foundations: A Housing Strategy for England* (CLG 2011a), promised help for first-time buyers by linking a 95 per cent loan-to-value (LTV) mortgage with select new-build housing developments. Overall, the current government's approach to stimulating the housing market is to introduce rewards for desired outcomes, such as the creation of new homes. This approach is a central tenet of localism, in which centrally driven targets are replaced with bottom-up incentives, such as the New Homes Bonus (NHB) or Affordable Rent (AR), and to some extent the Get Britain Building capital loan, which reward those who are able to secure new development (or indeed are 'shovel ready'). These schemes are not spatially targeted and offer little to weaker housing market areas where the gap between market and social rents is narrow (see for example TCPA 2010). Bradford has made a notable exception: they can use £2.7 million in unhyposcated revenue from the NHB – from bringing empty homes back into use – to support regeneration and capital programmes.

Development is increasingly difficult to secure in weak housing market areas, due to developers' low appetite for risk combined with inflated land values. Local authority (LA) land could be made available for new residential development with deferred payment, but in Bradford such schemes would have to charge rents above the current market level to generate an adequate return on investment. Collaboration with other local authorities can help build the right scale for institutional investment, address perceived conflicts of interest and spread financial risk.

The Localism Act 2011 and the National Planning Policy Framework (NPPF) are intended to address the 'obstacles' of planning to development and growth. These obstacles, according to the Treasury, include the costs and delays in the planning system, but the evidence to support these claims has been questioned by those in the profession. However, the policies announced so far do little to empower planning as a housing delivery mechanism; the local housing market conditions continue to determine outcomes to a great extent. Removing regional housing targets has placed more strain on local leadership to achieve outcomes that reflect the needs of the area, such as affordable homes. There will be more emphasis on the local development framework on the one hand, but on the other, this kind of 'localism' will require local authorities to club together increasingly to create economies of scale and go 'with the grain' of the forces of agglomeration. This, however, will be difficult to achieve in practice, as there is an institutional gap at the agglomerated scale. Local enterprise partnerships (LEPs) lack power, finance and democratic accountability, and local authorities increasingly compete against each other to win 'policy incentives' and other resources.

Outside London (with new powers inherited from the Homes and Communities Agency (HCA) under the Localism Act), Greater Manchester offers an example of how cross-border cooperation can be organised at the sub-regional level.



## Bradford's economic and housing legacies

Bradford's economic and housing legacies are directly linked to the district's industrial past. The city has approximately 5,800 listed buildings, and over one-third of all houses were built before 1919, above the English average of 21.5 per cent. This older housing stock is disproportionately represented in the PRS. The previous government's Decent Homes policy was deemed ineffective in the private sector (House of Commons CLG Committee 2010). This is acutely felt in Bradford, where 60 per cent of PRS properties are classified as non-decent. Policy needs to develop market mechanisms to improve decency in the PRS, since a growing share of households in England live in this sector.

Bradford's industrial legacy is reflected in relatively low wages and low skills, and, perhaps more alarmingly, the local population's low aspirations to achieve or invest in qualifications. Yet this lack of qualifications is closely related to worklessness and economic inactivity, which are both higher than regional and national averages. Nearly one in three working-age people is out of work, and worklessness is at 42 per cent among 16–24 year olds – a real cause for concern, given Bradford's young age profile (21.2 per cent are aged 16–29, compared with 18.9 per cent nationally).

Bradford is a place of extremes; the area is highly polarised in terms of concentrations of high- and low-income households, which is linked to the way the housing market operates. The areas with the highest concentrations of low-income households are also associated with the poorest-quality housing stock, overcrowding on the one hand and empty properties on the other. Yet those on the lowest incomes who live in the cheapest areas still face the worst affordability constraints, measured as the proportion of their income that is spent on rent. These poorest areas present the most substantial housing policy challenges in Bradford.

The economic dynamics of the sub-region are key to Bradford's future trajectory. Low wages are fundamentally linked to low skills and unfinished economic restructuring; housing has a supporting role in the local economy. The provision of affordable homes, in particular, can contribute to local economic development and support other policy agendas, such as skills and employment, but also education and health. Given the age of the housing stock, the opportunities for retrofit and property upgrades also offer strategic links with other policy areas, such as climate change, public health and fuel poverty. Targeting empty homes is an effective way to make advances in this area, but more is needed, especially in the PRS.

## Welfare reform

The Welfare Reform Act 2012 introduces a number of changes in order to reduce the cost of welfare to the state. The most ambitious part of the reform is the introduction of the universal credit (UC), which rolls a number of benefits (including HB) into a single payment, made directly by the Department for Work and Pensions (DWP). For Bradford, the reforms mean an overall loss of £15.5 million, mainly affecting vulnerable client groups. The housing-related cuts are estimated at £7.95 million from the local housing allowance (LHA) and £2.15 million from 'over-accommodation' in the housing association (HA) sector. The main impacts of the Welfare Reform Act for the private and social rented sectors are summarised below.

### The private rented sector

In terms of LHA reform, fixing the LHA to the 30th percentile of private rents in Bradford results in an average reduction of approximately £6 per week (in stark contrast to London). The potentially more damaging impact will be from raising the shared room age limit to 35

years, which will result in a weekly reduction of approximately £29, which affects over 900 young people in Bradford alone. This change is likely to result in further overcrowding and an increase of houses in multiple occupancy (HMO) in the local rental market. Likewise, families in five-bedroom houses will face an average weekly reduction of £23 through the restriction of LHA to four-bedroom houses. Large families and young people under 35 represent the key vulnerable groups whose household budgets are unlikely to stretch to cover the difference.

The introduction of the LHA in 2008 has resulted in a substantial boost in demand for the PRS: in Bradford the sub-sector has grown by 70 per cent in the last three years (an increase from 11,109 to 18,641 claimants). LHA payments are made to the tenant instead of the landlord, which represents a financial risk to private landlords, many of whom report issues with vulnerable tenants that result in evictions. These issues relate to financial management skills, and, in some cases, tenants' problematic behaviour. Also PRS landlords' professional standards vary greatly, which represents a major policy challenge.

The PRS HB sub-sector in Bradford is significant: 45 per cent of HB recipients are in the PRS, compared with 26 per cent nationally. What happens to HB, or the LHA in its current form, therefore has an amplified effect in Bradford. A need to improve the working relationship with private landlords has been identified. As the Localism Act allows local authorities to discharge their homelessness duty via the PRS, the HB sub-sector is likely to be of growing importance elsewhere in the country too. The current plans for UC would strip local authorities of their key bargaining chip to influence the sub-sector.

### **The social rented sector**

The bedroom standard<sup>2</sup> imposes HB cuts on 'over-accommodated' tenants in the HA sector, which poses a substantial financial risk to many northern social landlords. Within Bradford, those 'over-accommodated' by one bedroom outnumber those under-accommodated by one bedroom by a ratio of 3:1 (3,129 and 1,064 households, respectively). There are not enough properties to accommodate all the single-person households in the HA sector; if they were to be rehoused on affordability grounds, a transfer to the PRS would only drive up the overall HB bill and create vacancies in the HA sector.

In terms of stock use, Bradford has a track record of making good use of resources through schemes such as Move to Improve<sup>3</sup> and tackling overcrowding. Where national housing policy is concerned, it is unrealistic to assume that the residential offer in any sector could change quickly enough to match policy changes such as the most recent decision on over-accommodation in the social rented sector. Rather, policy needs to consider the realities of the (local) housing market area, including the demographics, socioeconomic circumstances and the housing stock.

## **Recommendations**

### **1. Localise housing benefit**

UC in its proposed format is 'spatially blind' and would strip away a significant bargaining chip that local government could use to steer the local housing market. HB reform, especially regarding over-accommodation in the social sector, needs local intelligence and local economic impact assessment; discretion should be allowed accordingly. Localising HB, and leaving it out of the UC, would give local authorities a particularly powerful bargaining chip with which to steer the PRS market, related to recommendation 2.

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<sup>2</sup> See boxed text on pages 46–47 for definition.

<sup>3</sup> See table 5.5 on page 48.

## **2. ‘Something-for-something’ dealmaking with the PRS**

A growing number of households, including vulnerable tenants on HB and homeless applicants, live in the PRS. As 75 per cent of private landlords are individuals or couples, and non-decency is high in the sector, support and engagement in this area cannot wait. Alongside continued enforcement efforts, improving decency standards and professionalising the market are priority policy areas. A landlord accreditation scheme that offers adequate incentives, particularly for those who operate in the HB sub-sector, should be developed. A clear concordat between the LA, landlord and tenant should be in place to support vulnerable tenants – and to recognise the potential financial risk to the landlord and the benefits of early intervention from the LA’s perspective. Payment of HB directly to the landlord would be a powerful incentive. A financial market mechanism for property upgrades where standards are not met should also be included in the dealmaking.

The success of the capital region’s landlord accreditation scheme shows that sub-regional collaboration should increase the uptake and visibility of a scheme, and help move away from accrediting individual properties.

## **3. Secure residential development**

There is a broad consensus that the UK housing market would benefit from increased institutional investment in residential development. Some barriers, such as relaxing the tax regime for investors, remain in the hands of the Treasury, but evidence from Bradford suggests that this would significantly help encourage development in an area of low investor confidence. Independent of Whitehall, local authorities can pursue a number of avenues, including:

- cooperate to achieve economies of scale and attract investment
- form inter-regional partnerships to negate perceived conflicts of interest in local government pension fund investment
- defer capital gains from LA land made available for development
- partner with local banks and building societies to develop financial products to boost demand
- urgently upskill in terms of commercial risk transfer and governance, as developers are likely to try to confer the future cost of vacancies on the public sector partner.

## **4. Guide development with solid local plans**

This era of localism and austerity places more demands on local leadership in the absence of central and regional frameworks, targets and resources. The Localism Act and the NPPF make clear that robust local plans are required, and that such plans can help build investor confidence. Local planning authorities should:

- communicate their clear commitment to affordable homes through the local plan
- engage stakeholders beyond the administrative boundary at the sub-regional level to build a coherent, spatial approach to development across the housing and labour market area
- invest in the organisational capability to analyse and monitor housing markets and spatial strategies; this will be needed to underpin robust strategic planning and development decisions.

# 1. INTRODUCTION

The government published its new housing strategy, *Laying the Foundations: A Housing Strategy for England*, in November 2011 (CLG 2011a). At the top of the policy agenda is the recognition that the market is not delivering enough homes to match the needs of the population or the economy; the fundamental challenge is that there is now much less public subsidy available to boost house-building, apart from limited incentives such as Get Britain Building<sup>4</sup> and the extension of the NHB<sup>5</sup> announced in the strategy. The imbalance between supply and demand has become a chronic condition, which was documented in detail by the Barker Review in 2004.

Since May 2010, regional house-building targets and strategies have been removed, substantial cuts to the government's capital budget have been implemented, and the housing market is left to a large extent in the control of local leadership, as articulated in the Localism Act.

Furthermore, the Welfare Reform Act received royal assent in March 2012, introducing major changes to HB. The act's impact will be felt acutely in both private and social rented sectors and vary greatly in different parts of the country. This case study will explore the impact of these developments in the Bradford context.

In housing policy terms, we have entered an era in which solutions, finances and delivery must be found and forged locally, in partnership with national – and sometimes global – corporations and industry stakeholders, investors and local residents. Policy should recognise that the housing market is not a singular entity that Whitehall can nudge in the right direction, but rather a mosaic of local housing markets in which the conditions vary dramatically.

This report addresses these issues. Chapters 1 and 2 offer an introduction and a background to housing policy in England. Chapter 3 highlights the dynamics between the economy and housing in the north of England. Chapters 4–7 present the context and evidence from the Bradford case study: chapter 4 introduces Bradford and its socioeconomic and housing context; chapter 5 outlines key housing trends in tenure, demand and supply balance, empty homes, overcrowding and housing conditions; chapter 6 assesses the impact of welfare reform in Bradford; and chapter 7 discusses the findings of two surveys: an online poll of Bradford residents on their housing aspirations and the housing-related findings from the 2011 Bradford residents' survey. Chapter 8 discusses the main empirical findings, drawing out key messages for government policy and IPPR's fundamental review of housing policy. Chapter 9 makes recommendations on the basis of the study.

## Research and methods

### IPPR's fundamental review of housing policy

The research for this report forms part of IPPR's fundamental review of housing policy, which responds to and seeks solutions to England's long-standing housing crisis and recognises that housing policy in recent years has failed to produce an adequate volume of new homes or to sufficiently improve standards and affordability.

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4 This programme consists of a £570 million boost to get 'shovel ready' developments off the ground, but the money has to be paid back.

5 The NHB is based on the council tax levied on additional homes and those brought back into use, with a premium on affordable homes, paid for six years. In 2012–2013 (year 2) the NHB provisional allocations will total £431 million for English local authorities – approximately £200 million for the second year 1 instalments and £231 million for the first year 2 instalments.

This report offers a northern perspective on the challenges of housing policy and is one of two local case studies (Bradford and London) from IPPR's review. Together, the case studies illustrate the impact of public policy in two very different locations and highlight the varied conditions in the housing market and the wider economy in England.<sup>6</sup>

### **Research aims**

This case study has three broad aims:

- to explore the relationship between public policy, housing and prominent socioeconomic trends in a local context
- to assess the impact of welfare reform from a housing perspective
- to assess how public policy might respond to housing challenges in a new, localist policy framework in a climate shaped by a housing bubble, a recession and subsequent fiscal contraction.

### **Methods**

This research was carried out using both qualitative and quantitative methods. It began with an extensive literature and policy review of relevant topics in housing, the economy and public policy, which is presented in the first three chapters.

The case study comprises evidence from a variety of sources, including reports and administrative data and statistics, mainly from the LA and central government, but also from independent research. Interviews were carried out with a variety of local and regional stakeholders in housing, including front-line housing officers, decision-makers and other representatives from the statutory, private and voluntary sectors.

A bespoke online opinion poll was designed to gauge Bradford residents' housing aspirations. The respondents were self-selecting and the sample does not allow definitive conclusions to be drawn regarding the general population. Secondary analysis was carried out using the 2011 Bradford 'perceptions' survey, which is an annual residents' survey conducted by Bradford council that covers a range of topics, including satisfaction with housing and a sense of belonging to the area. The perceptions survey is based on a representative sample of over 6,700 local residents. The survey findings are reported in chapter 7.

The case study's interim findings were presented at the Bradford housing partnership away-day in November 2011. The final results were presented to the partnership in February 2012.

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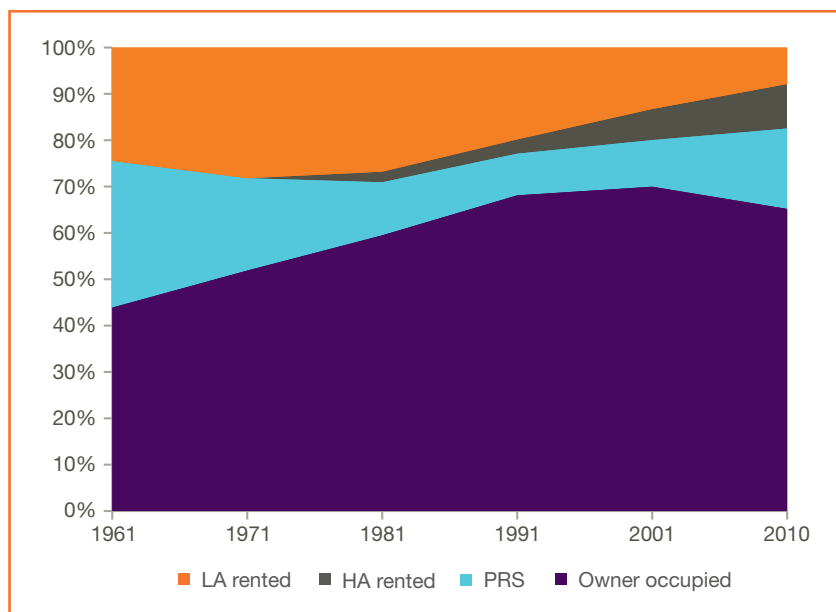
6 Previous IPPR analytical reports in this series include Dolphin et al 2011, Dolphin and Griffith 2011, Griffith 2011 and Schmuecker 2011.

## 2. BACKGROUND: A NATION OF HOMEOWNERS?

At the beginning of the 1960s, less than half of all households in England were owner-occupied. After a steady rise, bolstered by public policy, home-ownership peaked in 2003 at approximately 70 per cent. This figure is now on the decline; currently some 68 per cent of households are owner-occupied (see figure 2.1), which is close to the European average. Still, we have an owner-occupation rate that is much higher than in many comparable nations in northern Europe, although in peacetime the general trend has been for increasing home-ownership across Europe (Elsinga et al 2007).

Within Europe, high home-ownership is found in the economies that have also been most adversely affected by the eurozone crisis, including Spain, Greece, Portugal and Ireland.<sup>7</sup> In the last decade the UK has had a consistently higher home-ownership rate than the US, but due to the recent decline in the UK, the two have recently converged.

**Figure 2.1**  
Tenure change in  
England 1961–2010



Source: CLG Live Table 104

The figure above depicts the variance in the size of the PRS, largely a function of the varying owner-occupation rate on the one hand, and changes in the social rented sector on the other. Social renting peaked in 1981, when it accounted for almost one-third of all households. The policies introduced since the 1980s have reduced the size of the social rented sector and incentivised owner occupation. In England, post-war governments have consistently encouraged owner occupation through various schemes and fiscal incentives such as the former mortgage interest tax relief and right to buy (RTB) policies (see for example Bramley 1997, Quilgars and Jones 2007).

Rising home-ownership has been accompanied by a change from supply- to demand-side housing subsidies. Indeed, policymaking has favoured high home-ownership across the political spectrum. Notably, public policy has also shifted from a ‘tax and spend’ model of

<sup>7</sup> Home ownership across Europe averages at 68 per cent in the EU-27, but varies significantly between countries. The lower ratios are found in Germany (43.2 per cent), Denmark (54 per cent), the Netherlands (57.2 per cent) and France (57.4 per cent), whereas the more indebted economies in southern Europe have much higher ratios, such as Greece (80 per cent), Italy (80 per cent), Spain (85 per cent), Portugal (76 per cent) and Ireland (74.5 per cent), as of 2008 (Hypostat 2010).

welfare provision to ‘asset-based’ welfare, in which individuals are increasingly expected to supplement their social care and pension packages with their property-based assets (Heywood 2011).

Peter Saunders explains the reasons for these aspirations of home-ownership on the part of politicians and the public in his book (1990), which describes Britain as a ‘nation of homeowners’ and details the purported political, social and economic virtues of home-ownership. The book called defenders of social or other forms of rented housing as misguided, and not in tune with people’s ‘real aspirations’. It is true that home-owning aspirations remain high and are an integral part of English culture. In a recent IPPR opinion poll of low-income young people, 62 per cent expected to own their own home in the future, even though they struggled to put money aside (Bradley 2012).

Although home-ownership has helped many people build capital assets, asset inequalities in the UK have become starker since the 1980s, when the financial (including mortgage) markets were deregulated (see for example Dorling 2010). Home-ownership has not only exacerbated the wealth gap between the ‘haves’ and the ‘have nots’; it has increased regional inequalities, as the property-based assets in the south – and especially the south-east – of England are worth many times the equivalent in the north (NEP 2010).

Today, the ‘dream’ of home-ownership is unattainable for many Britons. After peaking in the first half of the last decade, home-ownership has been falling steadily; it is currently around 68 per cent and is predicted to continue on a downward trend. A study commissioned by the National Housing Federation (Oxford Economics 2011) forecast that by 2021 home-ownership will be down to 63.8 per cent nationally, and as low as 44 per cent in London.<sup>8</sup> The root cause of the current ‘housing crisis’, especially its unaffordability element, has arguably been the insufficient supply of homes, more recently combined with unprecedented global financial turmoil and a recession since 2008, which has restricted access to mortgage finance to a degree not seen in recent history. As affordability and lending constraints continue to affect the demand side of the housing market severely, the supply side has all but stalled since the credit crunch. The number of new homes completed in 2010 (102,570 in England) is the lowest since the second world war, and twice that volume would be needed to keep up with the growing number of households (see Schmuecker 2011).

The long-term policy prioritisation of home-ownership has coincided with widespread liberalisation and transition in the labour market towards more short-term, and often insecure, work since the 1980s. In the UK labour market, new jobs are much more likely to be part-time or temporary positions, but the ability to pay back a long-term mortgage hinges on the security of the household’s income. Therefore mortgage holders are more likely to be in permanent, full-time positions than tenants, although approximately one-fifth of mortgage holders are in ‘precarious’ labour market positions; for them, home-ownership becomes a financial risk and a source of uncertainty (Elsinga et al 2007: 261).

Housing and economic policies are interlinked. Governments on both sides of the Atlantic have been influenced by the economic theory of ‘wealth effects’, which describes a positive relationship between housing wealth and householders’ consumption (see Aßmann et al 2011, Case et al 2005). The relationship between housing wealth and private consumption seems to be less pronounced in most European countries (European Commission 2008), but in the UK buoyant housing markets and high street spending

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8 See [http://www.housing.org.uk/news/housing\\_market\\_crisis\\_as\\_home.aspx](http://www.housing.org.uk/news/housing_market_crisis_as_home.aspx).

appear to go hand in hand (Hamnett 1999), which contributes to the overall volatility of the UK housing market (Barker 2004). The relationship between housing and the economy is discussed in more detail in chapter 3.

An independent evaluation of English housing policy during 1975–2000 (Stephens et al 2005) identified four main ‘clusters’ of housing policy, summarised in the box below, to which current post-credit crunch conditions – austerity and localism – might be added as a fifth ‘cluster’.

#### Five clusters of housing policy 1975–2010

1. **Deregulation and liberalisation** characterised the first cluster of reforms, including mortgage market deregulation in the 1980s and the deregulation of private rents, the introduction of the assured shorthold tenancy, as well as initiatives such as RTB.
2. The second policy cluster that dominated housing policy in 1975–2000 was the **restructuring of housing subsidies from supply to demand**. In 1975 more than 80 per cent of subsidies were supply-side subsidies for the provision of affordable homes, whereas in 2000 more than 85 per cent of subsidies were on the demand side, reducing housing costs mainly through HB.
3. The third policy cluster relates to **asset restructuring**, including the transfer of much LA housing to the HA sector as well as increases in the availability of private finance.
4. A fourth cluster in the early 2000s emerged around the promotion of **asset-based welfare**, which relies on housing wealth to supplement pensions and meet a range of needs such as care in older age.
5. A fifth policy cluster started after the credit crunch and has been cemented in the new political climate since the general election in May 2010. The idea of **‘localism’** has coincided with a fiscal contraction and the end of central and regional housing targets. The planning system is under reform and new ‘bottom-up’ and ‘pro-growth’ incentives have been introduced. Furthermore, the nature of social housing is changing with the end of security of tenure for life, and the Welfare Reform Act is changing the nature of the relationship between housing and welfare; HB will be linked to labour market status.

Source: adapted from Stephens et al 2005

#### Deregulation of rents and financial markets: the co-emergence of buy-to-let and assured shorthold tenancies

Since the 1980s, the liberalisation and deregulation of the financial markets have made it possible for many more households to access to the mortgage market than previously, to the extent that mortgage lenders have competed over a range of clients with different financial resources and circumstances. Many mortgage holders have benefited from rising land values and house prices, and have increased their household wealth. Some such individuals have transformed their home into a financial asset and translated capital gains into further consumption through buy-to-let mortgages. This trend coincided with the deregulation of rents, introduced by the Housing Act 1988 (amended in 1996), which made it easier to operate as a private landlord. Part I of the act introduced a market-led approach to the legal relationship between landlords and tenants through the assured



shorthold tenancy.<sup>9</sup> This approach, combined with the housing boom, has resulted in a change in the make-up of landlords in the UK. Today 75 per cent of landlords are individuals or couples, up from less than half in the mid-1990s (Ball 2010).

Long-term trends in the labour, welfare, housing and money markets coincided with a rise in demand for privately rented homes, shown in figure 2.1, which also depicts the emergence of a new HA tenure that gained from the LA rental sector during the 2000s as a result of stock transfers. The policies that influenced the housing market included restrictions in (LA) investment, RTB – through which over 2.3 million homes have been sold in the UK since the 1980s – and large-scale stock transfers in the 2000s, which also took place in Bradford (see chapter 5.5). Demand for the PRS rose for two main reasons: constrained capacity in the social rented sector, which is increasingly available only for those with the highest need, and the rising unaffordability of owner occupation as house price inflation has outstripped income growth.

Much recent research on this topic suggests that home-ownership levels are unlikely to recover (Oxford Economics 2011, Bramley et al 2010). This finding has serious public policy consequences, notably for assumptions about future welfare provision, but also for housing supply and how public policy should help support a more sustainable housing market.

## Housing and localism

The previous section introduced the new housing policy trend that has emerged since the credit crunch in 2008 and, in particular, after the Coalition government came into office in May 2010. ‘Localism’, supported by the Localism Act 2011, is a central feature of this government’s policy reform; this section addresses the implications of this approach for housing. The most critical issue is whether localism – together with the NPPF – will help to deliver more homes, in recognition that the chronic under-supply of housing is a fundamental problem in England.

The Localism Act abolished the ‘regional’ system, which the previous government introduced to impose house-building targets on local authorities in an effort to deliver more homes. In the short term, this change is likely to create uncertainty in the developer community – a problem that is compounded by the recession and the current slump in house-building. Local and sub-regional partners face the substantial challenge of creating stability and certainty until the new national system and regulatory framework are in place. Some analysts predict that removing the regional tier will increase tensions between local authorities and their residents.

The NPPF (CLG 2011b<sup>10</sup>) contains a ‘presumption in favour of sustainable development’, which means that where proposals are in line with local plans, they should be allowed to go ahead unless they would undermine the framework’s key principles of sustainability. The framework also incentivises planning authorities to have up-to-date local plans, as the failure to have a clear framework for development also means that new development should be allowed under this presumption. This approach has been described as ‘pro-growth’, but it does not address the needs of weaker market areas, where there is low or negative growth. More broadly, underpinning the NPPF is the assumption that planning is

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9 An assured shorthold tenancy guarantees the landlord the right to repossess his or her property at the end of the tenancy term. Prior to 1997, the first tenancy had to be offered for a fixed period of six months. Assured shorthold tenancies set up after 28 February 1997 can be for any length of time the landlord wishes to offer above this length, negotiated between the landlord and the tenant.

10 At the time of writing, the NPPF was in its draft stage and has been referenced accordingly. The final policy was published on 27 March 2012.

an obstacle for development and (economic) growth, a view that has been contested by the Town and Country Planning Association, among others. Interviews with local authority stakeholders in the north of England as part of this research suggest that ‘blaming planning’ is simplistic and often misleading.

The NPPF also removes the requirement that any housing development of 15 units or more must make an affordable housing contribution via a section 106 agreement. The NPPF consultation document says that removing this threshold for affordable housing gives ‘complete control’ to local authorities and that this will allow greater flexibility to seek optimum local solutions. Developers and councils broadly welcome this change, but concern has been expressed, notably by the National Housing Federation, that this could lead to a reduction in the number of affordable homes in the country, at a time when affordability is a real concern for many households (Bury 2011).

The NPPF proposes some amendments to green belt protection, while retaining its core principles. Notably, the community right to build could override green belt protection. The National Trust, among others, has expressed concern that the NPPF will open up protected areas for development, and thus result in urban sprawl (see for example Booth and Vidal 2011). This concern is in part a reaction to the removal of the targets for brownfield development that guided previous development, especially in urban areas. The philosophy underpinning the Localism Act, however, would suggest that such decisions should be local, but there does seem to be some ambivalence between a commitment to growth on the one hand and empowering the community on the other. While neighbourhood plans, which communities are entitled to adopt via a referendum, cannot restrict development in their area, communities have various mechanisms to propose more development, or even directly approve small-scale schemes without the need for planning permission from the local planning authority, including on green belt land.<sup>11</sup>

There are also some wider governance implications in the Localism Act that could influence housing policy, such as the LA’s general power of competence and duty to cooperate. The duty to cooperate means that local councils should work together, with one another and with other public bodies, on issues related to planning and housing that impact beyond local boundaries.

The general power of competence replaces the ‘wellbeing powers’ contained in the Local Government Act 2000 and seeks to empower local councils to take decisions that are in their interest. More specifically, one of the aims is to allow councils to act in their own financial interest to generate efficiencies and secure value-for-money outcomes, and to raise money by charging and trading in line with existing powers and providing indemnities and guarantees (CLG 2011c). These powers could allow councils to use their financial and land assets creatively to facilitate new housing development. Land held by local authorities has been highlighted as a key asset that could help boost house-building (see for example Dolphin et al 2011).

The concept of the duty to cooperate inherently involves tensions between the development preferences of local communities or neighbouring authorities and more objective assessments of how to address an area’s housing shortages or economic development. The draft local development framework core strategy for Bradford identified Holme Wood, near the district’s border with Leeds, as a potential housing and economic

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<sup>11</sup> The Localism Act and the associated planning reforms have been widely discussed; a useful summary of different perspectives has been prepared by the House of Commons Library (2011)

growth point. The idea was further tested using a Neighbourhood Development Plan (NDP) process. The NDP for Holme Wood and Tong identified two options for housing growth. The first option involved the creation of 600 residential units, which would offer regeneration opportunities within the existing estate, including the development of key infill sites and the selective redevelopment of failing stock. The second option, delivering 2,700 new units, incorporated additional urban extension sites to the east and south-east of the neighbourhood and involved the redesignation of some land currently in the green belt. The second option, because of its potential to generate more income through section 106 and NHB and better meet the district's housing needs, was preferred by most local consultees, but local residents and neighbouring Leeds objected (BMDC 2012a).

The case of Holme Wood illustrates the potential for practical tensions within and between LA areas where housing development is concerned. It raises the question of how many communities would opt to build on green belt to increase their housing supply, even when they have the power to do so. It also exposes the weaknesses of the loosely defined duty to cooperate. In its current form, it could be reduced to a passive duty whereby a LA is obliged to consult on proposals, and the neighbouring authorities are obliged to give their opinion. Without some kind of shared governance function in which such issues could be constructively negotiated, it is difficult to see how the duty to cooperate will be effective in practice.

More constructive forums, such as the Greater Manchester Combined Authority (GMCA), can be developed. The GMCA's constitution (2011) states that, alongside its individual member authorities, the GMCA will collectively deliberate 'the duty of local housing authorities to consider housing conditions in their district and the needs of the district with respect to the provision of further housing accommodation' under the Housing Act 1985. To this end, the Housing and Planning Commission of the GMCA is preparing a Greater Manchester spatial framework.

Furthermore, working with the Greater Manchester Pension Fund, the city council has announced a residential development scheme of 244 properties and a financial product dubbed the 'Manchester mortgage' – which offers 95 per cent loan-to-value (LTV) loans – negotiated with the Cooperative Bank and Manchester Building Society. The intention is to develop a model that could be replicated elsewhere in Greater Manchester. Such advances do not emerge from thin air: the 10 Greater Manchester authorities have a long history of working together after the Greater Manchester Council was abolished in 1986. The Association of Greater Manchester Authorities chair Lord Peter Smith was quoted as saying, 'This is about growth, it is about jobs, it is about investment' when all 10 local authorities agreed to back the GMCA in 2010, albeit not without some trepidation (MEN 2010).

This type of sub-regional governance will increasingly influence the way metropolitan areas think about their long-term sustainability. For housing markets it would appear to make sense; the case for city-regions was built on observations about the wider housing and labour markets that large metropolitan areas offer on the one hand, and how businesses benefit from co-location and agglomeration (such as via access to dense labour markets) on the other (see for example HM Treasury and BERR 2007, Puga 2010). In practice, however, transcending administrative and political boundaries is a complex endeavour. The approved LEP areas in England have been criticised for being inconsistent, especially as regards their size and being coterminous with the travel-to-work area (Hayman 2010). Moreover, the lack of democratic accountability at the 'sub-regional' level has raised concerns (see for example Atkinson 2007). When it comes to planning, such a 'democratic deficit' would not be acceptable.

As the GMCA is the first of its kind, other areas will not have similar governance mechanisms to use to create a sub-regional spatial framework. Whether LEPs have the skills, expertise and resources to move in this direction could be explored. However, LEPs currently lack the necessary strong democratic links with each of the local planning authorities in the sub-region. The sub-regions that have a history of policy collaboration, such as those that went through the voluntary multi-area agreement process in 2008–2009, could be in a strong position to consider how to take forward the duty to cooperate from a spatial planning and development perspective.

### **Devolving to cities: Greater London Authority and beyond**

An interesting development in the area of localism and housing is the transfer of housing responsibility from the HCA to the Greater London Authority (GLA) in the capital region. The IPPR London housing case study discusses the political relevance of housing in the context of the capital (McCarvill et al 2012).

More widely, the Localism Act seeks to empower cities, for example by introducing referenda on directly elected city mayors in the 12 core cities in England (including Bradford). From the perspective of the Localism Act and its underpinning philosophy, making housing a democratically accountable issue at the local level should be welcomed, and the London case should blaze a trail in this regard. However, as London represents a unique case both from a governance perspective as well as in terms of its extremely constrained and unaffordable housing market, the north of England provides a stark contrast. A degree of realism is required to consider how locally elected representatives can influence the housing market to deliver better outcomes to the electorate when the vagaries of the housing market and macroeconomic conditions are national or even global.

The city deals may provide an opportunity for northern cities to follow in the footsteps of the GLA; the eight core cities of Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield are among the first to enter negotiations with the government. In January 2012 the cities minister Greg Clark announced that the offer of devolution, which promises more powers for cities in return for stronger leadership, would be extended to all cities (LGC 2012). Liverpool was the first to strike such a deal – its mayor will also act as the chair of a new ‘investment board’ that will oversee all of the LA’s assets including land, commercial and residential buildings and assets formerly owned by the regional development agency (Liverpool City Council 2012). However, as noted in the section above, cities can only go so far in isolation; their future prospects depend, in many respects, on greater cooperation within and between sub-regions.

### **Social housing**

The Localism Act introduced key policy reforms to homelessness, allocations and tenancies. Councils can, for example:

- discharge their homelessness duty through the private sector without consent
- set social housing allocations policy and waiting list criteria locally
- offer new ‘flexible tenancies’ to tenants with a minimum term of two years, effectively ending an automatic ‘home for life’ for council tenants.

The Department for Communities and Local Government’s (CLG’s) impact assessment (CLG 2011d) suggests that these changes can reduce waiting lists, since councils can decide on the qualifying criteria. However, central government would still set the priorities in this regard. Ending the right that applicants for homelessness assistance currently have to refuse offers of private sector housing is anticipated to offer the largest saving through

reduced expenditure on temporary accommodation. However, this policy is also estimated to generate the largest costs, as local councils use landlord incentive schemes to secure suitable accommodation for homeless applicants.

Flexible tenancies are thought to enable social landlords to manage their stock better, a move that is welcomed by many HAs that struggle with a mismatch in terms of under-occupancy and overcrowding.

We will return to these considerations later in this report, in light of the evidence from the Bradford case study.

## 3. HOUSING IN THE NORTH

### 3.1 Housing's role in the economy

Housing is thought to have three principal links to the economy: through the banking system (such as mortgage finance), the construction sector, and household wealth and consumption (ABmann et al 2011).

In mainstream debates on economic growth relating to gross domestic product performance, housing is not perceived to be a 'growth driver'. In terms of regional growth, the OECD (2009) have published innovative work examining the economic performance of both 'growing' and 'lagging' regions. As the whole of the north of England is lagging in the national context, this work is relevant when the role of housing is considered. Overall, the following five factors were found to be most relevant for regional growth, although the results were different for different types of regions:

- infrastructure
- human capital
- labour market density
- innovation
- agglomeration and connectivity.

The chancellor's autumn statement and the accompanying *National Infrastructure Plan* (HM Treasury 2011) emphasised the importance of capital spending on infrastructure both to support the UK's long-term growth prospects and to create jobs in the short term. The challenge of having a serious discussion about housing is that it does not enjoy a similar status in debates about the economy. However, housing plays an important supporting role that underpins many of the growth drivers listed above. For example, the Barker review (2004) concluded that an insufficient supply of housing, especially of affordable homes, can have a detrimental effect on labour mobility that in turn affects competitiveness in the wider economy. The regional impacts are felt through business location decisions, availability of human capital and labour market density, for example.

The housing and mortgage markets have a significant influence in the wider economy; in the UK this relationship has been characterised by volatility. Buoyant housing markets and high street spending go hand in hand – the UK had the highest correlation between private consumption growth and real house price change of any OECD country between 1970 and 2002 (Hamnett 1999). With the rise in house price, mortgage equity withdrawal totalled nearly £57 billion in 2003, representing nearly 20 per cent of gross lending. Mortgage equity withdrawal has implications for the wider economy because of its impact on consumer spending, household finances and indebtedness, and its effects on housing investment and the future quality and condition of the housing stock (Elsinga et al 2007: 262). However, unstable house price inflation leads to boom and bust cycles.

#### **Housing and the recession: shortage of credit and work**

The credit crunch of 2008 exposed the precarious link between housing and the economy, which is amplified through the banking sector. The origin of the global financial crisis was rooted in North American sub-prime mortgage markets, and research shows that recessions preceded by housing bubbles are longer than average recessions. A housing bubble triggers a banking crisis, which has a widespread impact on the availability of finance and the functioning of the broader economy (ABmann et al 2011). In the UK, there was also a boom and bust cycle in housing prior to the current recession.

In terms of employment during the downturn, the biggest drops in output between the first quarter of 2008 and the second quarter of 2009 in the northern regions were experienced in construction and manufacturing, with both falling by approximately 14 per cent compared to a 6 per cent drop in aggregate output (Dolphin 2009). The 2010 spending review made the picture even bleaker. PwC research (2010) concluded that, proportional to the size of the sector, the construction industry has the largest estimated output losses of private sector industries as a direct result of the fiscal squeeze (around 5 per cent). The construction sector has had the greatest increase in redundancy rate in the UK since the start of the current recession. This increase reflects, in part, the relatively high sensitivity of construction companies to cuts in public sector capital spending. Government has historically represented 30–40 per cent of construction demand (UK Contractors Group 2010).

### **Multiplier effects and wider local economic impact**

The economic multiplier effects of housing are most often linked to house-building, or the construction sector and its value chain. Shelter (2010) demonstrates that the construction sector is a major contributor to the national economy, generating £91 billion of the country's economic output and accounting for over 1.5 million jobs in 2008: at its peak it employed up to 2.3 million people. Of these, 409,000 jobs were within the residential and commercial buildings construction sub-sector. The multiplier effects, however, spill into other areas of the economy via the supply chain.

Social housing has a specific set of local multiplier effects, which work through two principal routes, according to Smyth and Bailey (2009):

1. supply linkage multiplier (economic activity triggered by local purchases/transactions)
2. income multiplier (local expenditure from those who derive incomes from the supply linkage).

In their research on Northern Ireland, Smyth and Bailey identified a range of ways in which social housing makes a significant contribution to the local economy, especially in a recession:

- Social housing has strong multiplier effects in terms of employment and had a greater short-term impact on the Northern Ireland labour market than other construction investments, due to a higher labour intensity in house-building.
- Social housing has strong non-monetary impacts on the economy and contributes more than some other types of capital investment programmes to achieving sustainable development.
- During a recession, social housing is an increasingly significant factor in addressing issues such as homelessness, social exclusion, fuel poverty and energy efficiency.
- Investment in social housing can reduce reactive expenditure on health, education and crime, among other areas.

### **Impact of insufficient housing supply**

The Barker review (2004) made the case that housing supply, in particular the supply of affordable housing, is fundamental to a successful economy. In the UK, however, the volatility of the housing market has exacerbated macroeconomic instability and has adversely affected economic growth. Lower house prices would improve macroeconomic stability and affordability; a much larger supply of new homes is needed to achieve these goals.

Barker identified that the UK housing shortage causes the following detrimental economic effects:

- lower rates of house-building are constraining economic growth and have a negative effect on business location decisions and regional price differentials, which reduce labour mobility
- restricting housing supply leads to a loss of economic welfare – resources that might have been used for housing are used for other, less beneficial, purposes
- the housing market contributes to macroeconomic volatility – changes in house prices and housing wealth are linked to public consumption (and borrowing)
- higher house prices create affordability problems and restrict the labour supply in areas of economic growth
- the under-supply of houses has unfortunate distributional consequences – the wealth gap between homeowners and others is widening, often at the expense of younger generations and first-time buyers.

### 3.2 Functional economic areas and polarisation

When considering the economic situation of the north in relation to housing, a notable trend is the emergence of city-regions and the associated agglomerated urban economies around the eight core cities in the north. Government policy has also increasingly revolved around these emerging ‘functional economic areas’, which are thought to provide an effective scale for strategic economic development and accelerating growth – an approach that was cemented in the Sub-National Review of Economic Development and Regeneration (HM Treasury, BERR and CLG 2007). The new LEPs, considered key players in driving local growth, also follow the logic of the sub-regional, more ‘organic’, structures of economic governance (BIS and CLG 2010).

The growing popularity in policy terms of the ‘functional economic area’ and the desire to govern at this scale is related to observations about travel-to-work areas and housing market areas, as well as the challenge of coordinating policy across administrative boundaries. Ideally, the sub-regional collaborative approach should result in a deeper understanding of the impact of economic change on housing demand, and how the housing and labour markets are affected in different geographic areas of the sub-region (see for example Hincks and Wong 2010).

The housing market in the Leeds city-region is characterised by affordability pressures and polarity; some parts of the sub-region have lower value stock and low demand, while other parts are increasingly beyond the means of average earners (such as the ‘Golden Triangle’ area to the north and north-west of Leeds). Figure 3.1 (over) highlights the inequalities in household income in the Leeds city-region, showing concentrations of low-income households near the urban centre and more affluent households on the outskirts. Where incomes are very low, affordability constraints can be worse in the deprived inner city areas, even when the cost of housing is lower, as is the case in Bradford (see chapter 4.4).

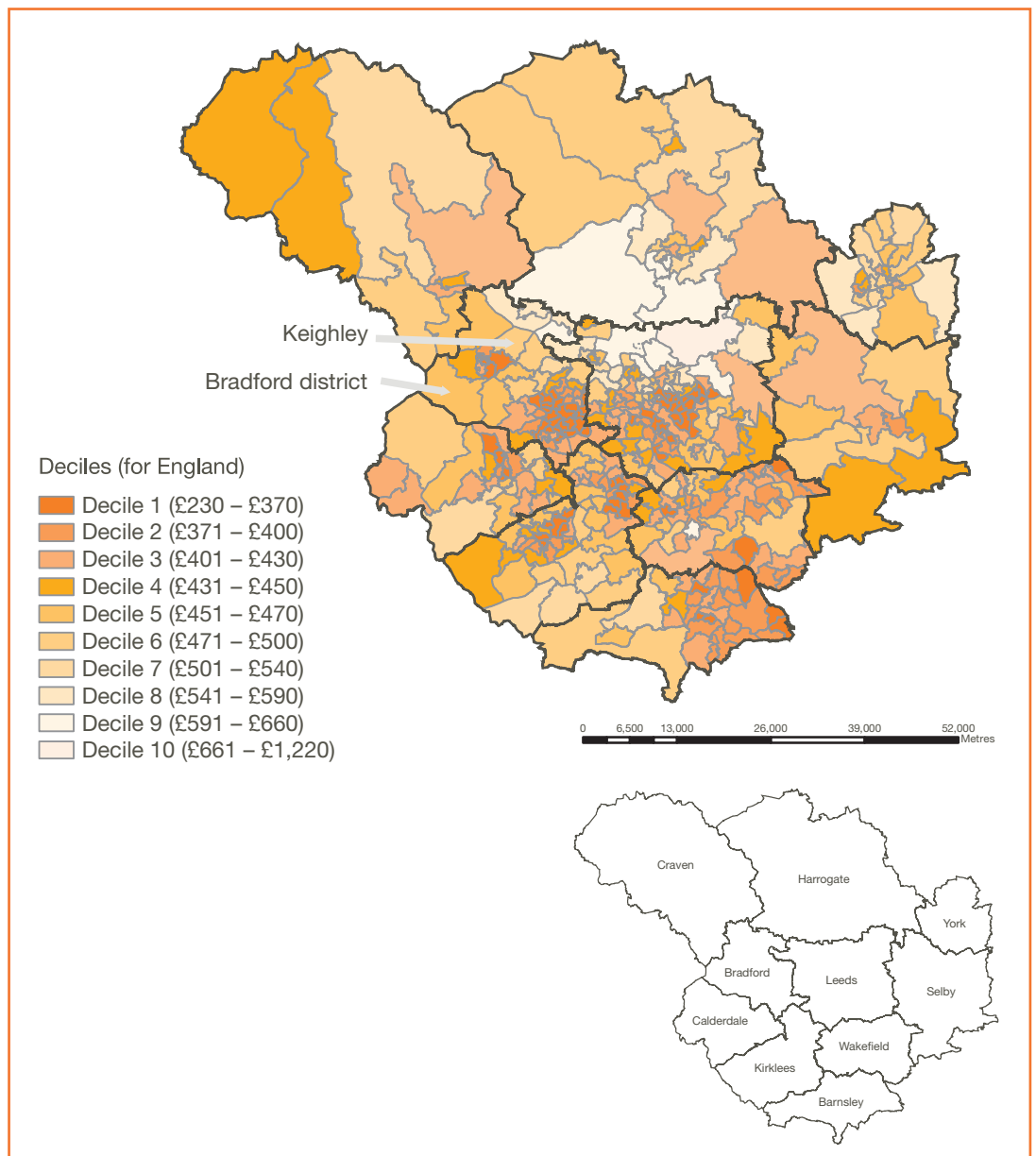
Housing is highly relevant to the process of economic polarisation, a situation in which low-income households become concentrated in certain areas. Residential sorting is an outcome of mobility and ‘choice’ that households exercise as private consumers. This process has a polarising effect, as low-income households have less or, sometimes no, choice about where they live. Robson and colleagues (2009) have shown how some of the most deprived neighbourhoods can become isolated not only from the labour market but also from the wider housing market. These neighbourhoods are associated with ‘a degree



of entrapment of poor households who are unable to break out of living in deprived areas' (ibid: 5). In such neighbourhoods, many housing-related problems are also often present, such as lack of decency, overcrowding and high vacancy rates.

The map below also highlights the divided nature of deprivation in Bradford, which is focused in the south-eastern part of the district in the central wards. Keighley, part of the City of Bradford Metropolitan District, replicates this divided nature within the local housing 'sub-area' that it forms. Addressing this polarisation represents a key challenge not only for Bradford but for the wider Leeds city-region, which was found to be the most economically polarised of the eight northern city-regions in previous research by IPPR North (Schmuecker and Viitanen 2011).

**Figure 3.1**  
Leeds city-region income distribution (middle layer super output area level)

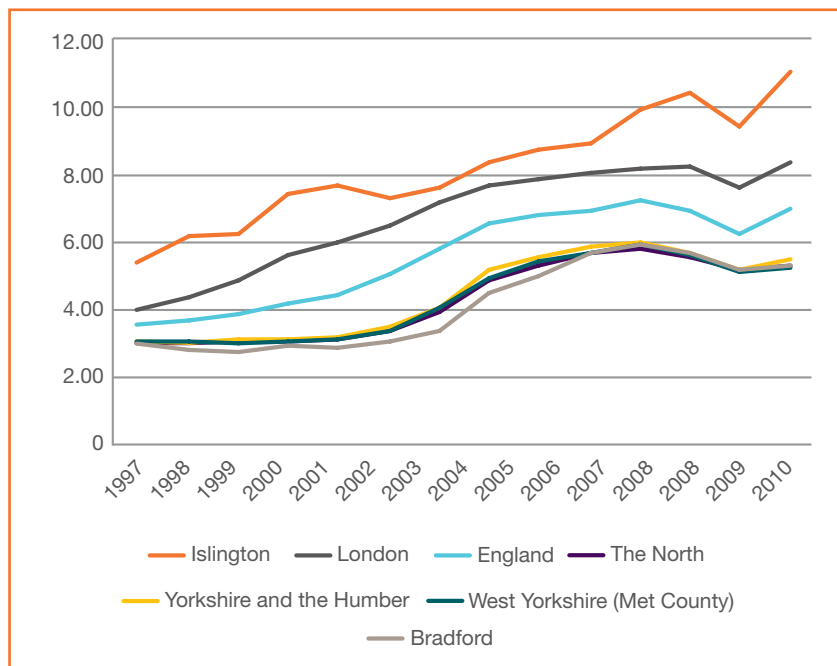


### 3.3 Affordability

#### House prices relative to incomes

The north-south economic divide has been widely discussed elsewhere (see for example Ward 2010, Baker and Viitanen 2011). The housing asset inequalities between the north and south are substantial; this also means that the north is more affordable (defined as the ratio of median house price to median income), as shown in figure 3.2. Overall, the English, London and Islington averages are a fair distance apart (7, 8 and 11, respectively), while the north,<sup>12</sup> Yorkshire and the Humber, and West Yorkshire are more closely clustered together around 5 to 5.5. It should be noted, however, that affordability is highly variegated, and regional or sub-regional averages do not tell the whole story.

**Figure 3.2**  
Median house price to income ratio 1997–2010



Source: CLG Live Table 577

The *Home Truths* report by the National Housing Federation (2011a) draws attention to the increasing unaffordability of owner-occupation within the Yorkshire and Humber region: house prices there have risen four times faster than any other region in the past decade. Albeit starting from a lower base compared to the national average, affordability constraints have worsened in Yorkshire and the Humber; the housing market in the Leeds city-region and Bradford is among the most economically polarised in England. Parts of north Yorkshire, especially Richmond and Harrogate, show affordability ratios of approximately 10, comparable to Islington and well above the English average. Elsewhere in the north, good-quality residential property has become increasingly unaffordable, with the gap often growing between desirable areas and areas of low demand and poor-quality housing (see for example Tribal 2009).

#### Rents

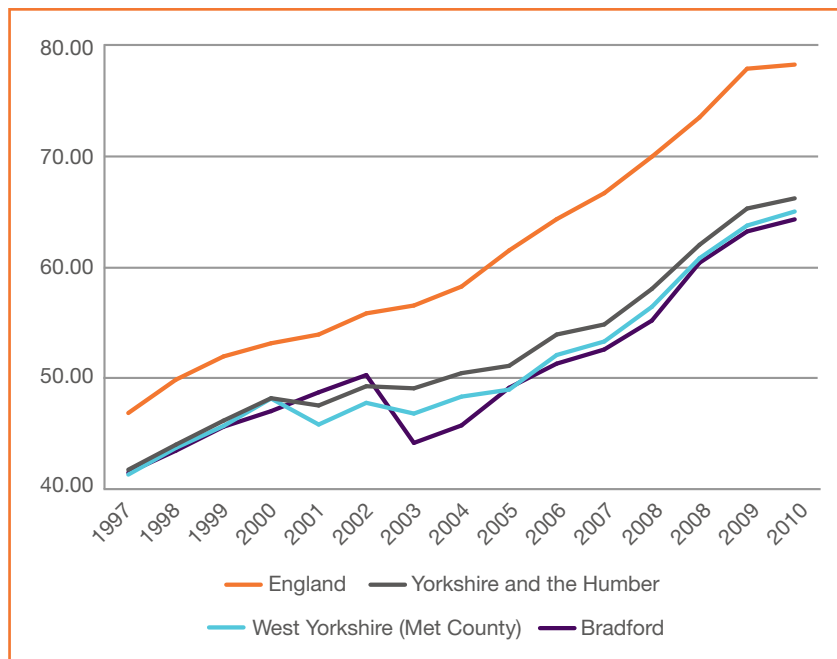
Affordability in the rented sector sometimes receives less attention in housing debates, which tend to focus on owner-occupiers. IPPR's Bradford and London case studies offer

<sup>12</sup> Defined as the three northern regions: North West, Yorkshire and the Humber, and North East.

insights into the rental market and affordability in light of current welfare reform proposals. As most evidence points to the increasing importance of renting (particularly private renting) in the future (see for example Bramley et al 2010), this policy area demands attention. IPPR’s own housing demand model (Schmuecker 2011) also concluded that, especially when credit and affordability constraints continue to limit households’ ability to buy, private renting is likely to increase substantially, as social renting supply is unlikely to keep up with the projected demand. Demand may further increase private sector rents, which have increased significantly in recent years, although rent levels have been more stable than house prices in the recent housing market cycle (Dolphin et al 2011).

Social rents are rising, too, partly as a result of the previous (and current) government’s policy of rent restructuring, which originally aimed for convergence in 2012 but has been extended by the current government to 2015–2016 (House of Commons Library 2012). Figure 3.3 indicates HA rent levels and their rising trend in England, Yorkshire and the Humber, West Yorkshire and Bradford. The figures reported here include large-scale landlords and apply to the general needs stock only.

**Figure 3.3**  
HA rents, 1997–2011  
(£ per week)

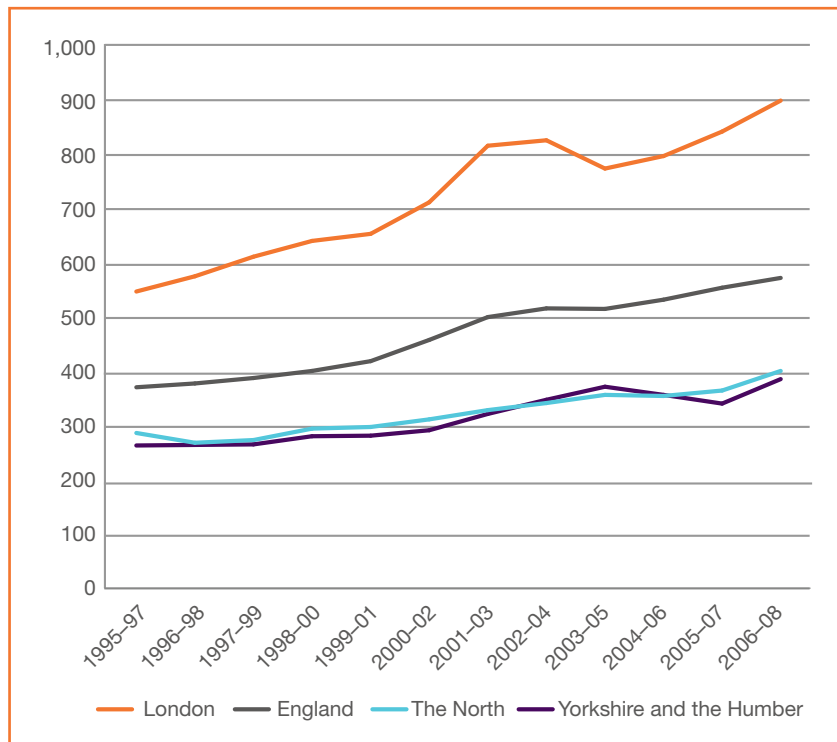


Source: CLG Live Table 704

Note: Private registered providers are large landlords (with 1,000 units/bedspaces), including registered social landlords who, in most cases, manage former council stock after voluntary transfers.

Reliable data for free market private rents are not available at the district level. The latest official statistics have been gathered as part of the English Housing Survey. Experimental statistics by CLG provide an index in which Q2 2000 represents 100; private rents had increased to 142 by Q4 2007. Figure 3.4 (over) shows mean monthly rents by region in the free market sector based on the English Housing Survey 1997–2007, which again shows how rents in London have soared compared to the rest of the country. It is useful to remember that other urban centres, including Leeds and Manchester, have seen sharp rises in rents that are not depicted in regional averages.

**Figure 3.4**  
Mean monthly rents in the free market, by region (£, based on two-year averages)



Source: CLG Live Table 734

### Mortgage finance

In addition to house prices and rent levels, affordability is also affected by access to credit, which is currently constrained for private consumers as well as developers, who have a key role in the housing supply chain.<sup>13</sup> Access to mortgages, especially the more demanding LTV ratios that have been prevalent since the credit crunch, has been reported as a major barrier to first-time buyers and low and middle earners (LMEs). In Bradford, most mortgages are pitched at those with at least a 30 per cent deposit (minimum 20 per cent) (BMDC 2011a). The average property price in Bradford was £99,629 as of December 2011 (compared to £49,972 in December 2000), which would require a deposit of almost £20,000. If a first-time buyer secured a 95 per cent LTV mortgage in 2000, they would have needed a deposit of just £2,500.

The Resolution Foundation (2011) reported that in 1997, LMEs nationally would have had to put aside 5 per cent of their annual income for seven years to save for a deposit for their first home. In 2011, the figure was 45 years. As access to the social rented sector is regulated and mainly based on need, LMEs are increasingly left with no real choice in terms of housing; they are undoubtedly an important part of the growing PRS.

The Resolution Foundation highlights the difficulties that LMEs face in the PRS: increasing unaffordability, poor quality and lack of security of tenure compared to social renting or owner-occupancy. Apart from affordability constraints relating to owner-occupancy, the rise of the PRS is discussed in brief below.

<sup>13</sup> How to finance future house-building is the subject of another briefing paper in the IPPR housing series, *Build now or pay later?* (Dolphin et al 2011).

### 3.4 The bubble, buy-to-lets and the private rented sector

As mentioned in chapter 2 (see figure 2.1), private renting is becoming more common in England, with an estimated 16 per cent of the population now living in the PRS. The recent housing bubble in the UK and the associated capital gains in the boom period encouraged an influx of buy-to-let landlords to enter the market, who now represent approximately 30 per cent of PRS landlords (Ball 2010).

The rise of the PRS, however, has been claimed to be less driven by supply factors; instead, the market is more responsive to demand signals, due to the increasing unaffordability of owner occupation on the one hand, and dwindling capacity in the social rented sector on the other. The lack of availability of social housing means that the PRS will increasingly play the role of a de facto social landlord, a strong trend that picked up in 2008 with the introduction of the LHA, which applies to people who receive HB and live in the PRS.

The proposed changes (see chapter 6.4) to the LHA as part of wider welfare reform will affect local housing markets in different parts of the country. Chapter 6 will return to the challenges and opportunities for the PRS of HB reform in the Bradford context.

While the PRS offers opportunities and elasticity in ways that social housing cannot, the sector's social and economic challenges were recognised in 2001, when the CLG issued guidance for landlord accreditation (CLG 2001). This attempt to professionalise the PRS paralleled large-scale public investment in social housing to meet the Decent Homes standard (CLG 2006). A decade later, according to the English Housing Survey (2009), approximately 23 per cent of all social housing fails to meet the Decent Homes standard. In the private sector (owner-occupied and rented combined) the figure is 10 percentage points higher. However, in specific sectors and areas such as the PRS in Bradford, 60 per cent of homes do not meet the required standards (BMDC 2008a).

The PRS is criticised as unprofessional partly because the sector is dominated by small landlords: just under 75 per cent of all landlords are private individuals or couples rather than companies, and over 50 per cent of all landlords own fewer than five properties; only 3 per cent of landlords own over 250 properties (CLG 2009). The balance has changed since the mid-1990s, when less than half of landlords were individuals, but the availability of buy-to-let mortgage finance and rising house prices encouraged individuals and couples to become landlords (Ball 2010).

This has arguably made some northern housing markets particularly vulnerable to further depreciation in prices. Where a high degree of mortgage equity lending took place and affordability ratios (median income to median house price) increased rapidly, the housing market could be more susceptible to a downward adjustment in prices. Looking at growth of house prices over incomes (HPI) from 1999–2009 (table 3.1, over), in most cases the rise of HPI has been significantly more pronounced in the north and Midlands, with the highest HPI in the North East, Yorkshire and the Humber, and the North West. The South East saw the lowest levels of HPI during this period.

**Table 3.1**  
House price over  
incomes increase,  
1999–2009

Region	House prices	Earnings
England	120%	38%
North East	136%	40%
North West	133%	36%
Yorkshire and the Humber	139%	36%
East Midlands	125%	40%
West Midlands	117%	35%
East of England	125%	34%
London	127%	44%
South East	110%	35%
South West	130%	40%

Source: NHF 2011a

Opportunistic lending practices in the buy-to-let market in northern towns and cities, symptomatic of the volatile relationship between housing and consumption/debt on a macroeconomic scale, were revealed as Northern Rock and Bradford and Bingley, two northern banks, were nationalised in 2008. Their demise was intrinsically linked to relaxed mortgage lending practices during the previous decade, when the housing bubble was inflating. In 2008, it was reported that Bradford and Bingley's share of lending in the buy-to-let market was greater than any other mortgage lender in the UK. The bank had developed a special Mortgage Express service that specialised in buy-to-lets and self-certified mortgages, aimed at the burgeoning market of would-be landlords lured in by the soaring property prices.

While the residential lettings market traditionally favours smaller landlords, who have a competitive advantage over large companies, the current, radically changed mortgage-lending climate may favour larger investors who have easier access to finance (Ball 2010). IPPR's previous report on financing new housing supply discusses ways to stimulate institutional investment into residential lettings (Dolphin et al 2011); LA pension funds were highlighted as potential institutional investors. While London is thought to offer the most favourable market for institutional investment in residential lettings, the Greater Manchester pension fund, operated by Tameside council, has announced plans to develop new properties, as mentioned in section 2.1.

In order to attract investors to residential lettings more widely, a fundamental question must first be answered: how can residential lettings be made into a more lucrative option? Tax breaks called for by the industry appear unlikely, in spite of the Treasury's 2010 consultation on the issue. However, CLG have issued a new call for evidence on barriers to institutional investment in private rented homes (CLG 2012).

Irrespective of the new-build prospects and institutional investment, a significant challenge remains to improve the existing PRS stock that currently fails to meet decency standards. In addition, Shelter (2011) and others have highlighted the 'unprofessionalism' within the sector, especially where low-income tenants are concerned, as an urgent policy issue.

### 3.5 Balancing the quality and quantity of the supply

Nationally, the consistent message of descriptions of the ‘housing crisis’ has highlighted the unmet housing need and (present and future) demand due to a shortage of supply. Therefore, policy debates have focused on ways to increase the supply of new housing and the volume of additional dwellings in order to serve the needs of the population and the economy.

In February 2011, IPPR published its own projections for housing demand to 2025. While housing need and demand are largely affected by population trends, in particular household formation,<sup>14</sup> other factors – including migration and economic circumstances such as credit availability, as well as affordability – influence demand, specifically how the overall demand is split between different tenures (Schmuecker 2011). As concluded in the previous section, the affordability and credit constraints in the owner-occupied sector and the lack of supply of social housing mean that the number of people living in the PRS is likely to grow in the future.

The IPPR research estimated that the number of households in England will be likely to increase by 250,000 per year until 2025 if the economy performs reasonably and there are no major shifts in net migration. This prediction is congruent with the evidence put forward by the National Housing Federation (NHF), Shelter and others, and also concurs with the findings of the Barker review. Over the last decade, an average of 158,000 new units were built each year in England. Even with a return to the peak level of supply in recent years (207,370 new dwellings in 2007–2008<sup>15</sup>), which would require doubling current levels of output, demand would still outstrip supply significantly. This problem is particularly acute in areas with high household growth projections, such as London, the south-east, east of England, south-west and Yorkshire and the Humber.

In the context of highly uneven conditions in local economies and housing markets, qualitative considerations become increasingly relevant alongside quantitative concerns. Therefore, in addition to ensuring the right volume of supply, the use and condition of the existing stock and wider strategic issues contributing to the ‘quality of place’ come to the fore.

Tribal (2009) concluded that the north’s residential offer was characterised by a constrained range, mediocre quality and increasing unaffordability where quality did exist. Tribal argued that the next policy challenge in the north would be less about how many units could be built, but rather how many of what type, where and for whom. The research also drew on the recommendations of the Parkinson report on regeneration and the credit crunch to highlight the dangers of developing affordable housing in the wrong places, which would exacerbate the problems associated with mono-tenure areas (2009). This concern is particularly relevant to the weak housing market areas in the north.

### 3.6 Dealing with economic and housing legacies

To a large extent, demographic trends, the nature of the economy and significant legacies will dictate what kind of housing development is required in a given area. Research by Ferrari and Rae (2011) showed that during the most recent UK housing market cycle, the disparities between localities became even greater, exacerbating the imbalance between house prices and market conditions in different parts of the country. However, the unevenness in the housing markets has deep roots in the historic context and the economic legacy, which can often explain why some areas are ‘booming’ and others ‘lagging’.

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14 Known as the ‘headship rate’, which is used to predict household formation in different demographic groups.

15 CLG Live table 118

The need for physical and economic regeneration has not ceased, even if the funding for such policy interventions has all but disappeared. Recent reports by IPPR North show that the north has been adversely affected by the recession in terms of unemployment, the public sector cuts announced in the spending review, and the unfair distribution of infrastructure spending, which favours London and the south-east; these hardships add to the challenges for local leaders in driving the economy in the north (Cox and Schmuecker 2010 and 2011).

The north has been affected by fundamental structural changes characterised by large-scale de-industrialisation, which has a significant impact on what has been termed 'residential offer' (which refers not just to bricks and mortar, but also to services, green space, perception and the overall quality of a place). Like in many northern districts, the challenge of Bradford's residential offer is twofold: on the one hand, the local economy requires economic diversification, yet on the other hand the specific needs of the neighbourhoods most 'left behind' by the economic changes must be addressed – the quality of such neighbourhoods is often furthest from the requirements of the incoming workforce that economic diversification would require (Ferrari 2008).

Housing market renewal (HMR) was a large-scale policy intervention that aimed to rejuvenate the north's vulnerable housing markets. A national evaluation of the HMR programme is underway: the baseline and early findings were reported in 2007 (CLG 2007). One emerging lesson from the HMR pathfinder programmes relevant for the present case study concerns the role of the PRS in vulnerable housing market areas. The HMR pathfinder areas tended to have a much higher than average proportion of PRS accommodation. In many areas, more than 30 per cent of all homes were privately rented, compared to the national average of 12.9 per cent in England in the mid-2000s,<sup>16</sup> and in low-demand areas, tenants were often on low incomes (Shelter 2009). For example, as part of the HMR pathfinder programmes, a study in NewHeartlands Merseyside found that 52 per cent of private renters received income support, incapacity benefit or jobseeker's allowance (ibid). In some parts of Bradford, this is estimated to be even higher: one private landlord estimated that 70–75 per cent of his clients received HB.

### 3.7 Decency

The age and style of the properties built during the industrial boom in the north of England present specific challenges to housing policy. Figure 3.5 (over) shows that 39.8 per cent of the PRS in England was built before 1919, compared with 20.8 per cent of owner-occupied property, 4.2 per cent of LA property and 9.0 per cent in the HA sector.

The older terraced properties are disproportionately represented in the PRS, which has proven problematic from a policy perspective. According to the Rugg review (2008), such PRS housing stock is dominated by the HB market and 'slum rental' sub-sectors. For the most economically disadvantaged tenants, the concerns about the PRS are acute, as they are the households that are most likely to encounter rogue landlords who provide sub-standard accommodation (see for example Shelter 2011).

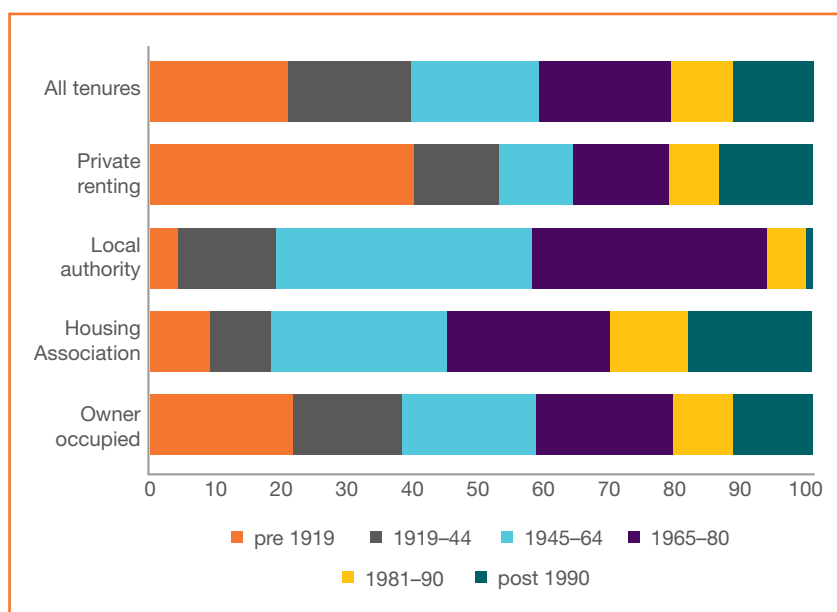
Currently, some 40 per cent of private rented homes are classified as non-decent, compared to 30 per cent of homes in owner-occupation and 27 per cent in the social rented sector. Substantial disrepair (defined as costs over £20/m<sup>2</sup> or at least £1,800) was found in 32 per cent of PRS households, compared to 17 per cent in the owner-occupied and 19 per cent in social rented sectors (English Housing Survey 2009).

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<sup>16</sup> The rate in 2011 is nearer to 16 per cent.



**Figure 3.5**  
Age of stock by tenure  
(%)



Source: English Housing Survey 2009

The implications of non-decency are far-reaching. Among the issues that will be increasingly important in the future is fuel poverty, as energy prices are predicted to continue to rise (see for example Pendleton and Viitanen 2011). Older building stock is often hard to treat or otherwise costly to maintain or insulate according to recommended standards. The most acute problems of non-decency lie with vulnerable households, an increasing number of which are in the PRS. Two main groups of households emerge as a priority: low-income (private) tenants and elderly owner-occupiers. In the national context, the House of Commons CLG Committee (2010) concluded that Decent Homes in the private sector had been a policy failure.

In Bradford, there is a higher-than-average prevalence of pre-1919 housing. Moreover, stone is commonly used as a building material, which makes properties more difficult to insulate. The box below illustrates how decency legislation is ineffective in Bradford, since the LA does not have adequate resources to address the problem (Clarke et al 2010).

The *Bradford Private Sector House Condition Survey 2007* found that 65,000 private sector homes (40.5 per cent) – owner occupied and rented – did not meet the Decent Homes standard, mainly for category 1 hazards and energy efficiency reasons. The percentage of non-decent homes in England as a whole was only 27.1 per cent (in 2007). The LA is legally required to take action where category 1 hazards have been identified. In owner occupation, 22.6 per cent had category 1 hazards, whereas in the PRS the figure was 40.6 per cent. The costs of making these homes decent were estimated in 2007 at £85 million for category 1 hazards, £21 million for repairs, £22 million for amenities and £85 million for thermal comfort. There is insufficient funding available to tackle these hazards in private sector housing (Clarke et al 2010).

## 4. INTRODUCTION TO BRADFORD

The location, style and quality of the current ‘residential offer’ in Bradford is influenced by its industrial legacy. Bradford’s industrial wealth was created largely by the production of worsted wool. The successes of textile manufacturing sparked a rapid increase in the population, from just 6,393 in 1801 to over 280,000 in 1901. This industrial expansion shaped the local housing situation as well as the economic legacy. In England, more than 20 per cent of the overall housing stock is pre-1919, among the oldest in Europe. Bradford exceeds the national average: approximately one-third of its stock was built before 1919.

Bradford also has an unusually high number of listed buildings – approximately 5,800 – that are cultural assets, but they can also present a barrier to development. Government housing policy has perhaps overlooked listed buildings; in the present climate, there is every reason to debate the long-term future and sustainability of some of these buildings. While outside the scope of this study, this is an area worthy of further investigation in places like Bradford. It is useful to consider whether, for example, the general power of competence under the Localism Act would give local authorities the power to decide how to deal with their architectural heritage to secure long-term sustainable outcomes. Equally, the government’s ‘city deals’ could comprise the authority to deal with listed buildings where they are a fundamental feature of the cityscape.

### 4.1 Bradford’s economy: a challenging legacy

As mentioned earlier, the absence or limited availability of resources from central government, combined with a greater drive towards localism, will place more demands on local leadership and the local (and sub-regional) economy. In an age of globalisation, Bradford’s future is linked to the wider national and international situation, and much of the area’s economic success will depend on partnerships and networks that extend beyond local and regional boundaries. One such important dynamic is the functional economic area, where connectivity in the broadest sense has been described as a central aspect of the development of the agglomerated urban economy (Harding and Rees 2010). In the Leeds city-region, the Bradford-Leeds relationship has been described as ‘interdependent’ (see Work Foundation et al 2009). Approximately 37,000 people travel between Leeds and Bradford daily, but those who commute to Bradford tend to have higher incomes than the resident population. In terms of flows of people, business and capital, the residential offer plays an important role, even if it is not a driver of growth in the traditional sense.

Bradford has many strengths and opportunities that may help guide its future housing development. Its economy is the third-largest in the region, producing 10 per cent of the region’s total wealth, and it has the fourth-fastest predicted population growth in the UK. The population’s profile is young and has strong entrepreneurial characteristics. The proportion of 16–29 year olds in Bradford is 21.2 per cent, compared with the national average of 18.9 per cent.<sup>17</sup> However, while Bradford’s economy is large, jobs tend to be low-skilled and low-waged (Athwal et al 2011, Akhtar et al 2011). The average full-time weekly earning in Bradford is £422.50 (Nomis data), which is 9 per cent below the regional average and 16 per cent below national (GB) levels; since 2005, the gap between regional and national averages has grown.

Manufacturing is still a significant employer, with 29,000 manufacturing jobs in the district, or 13.9 per cent of all employees, compared to 10 per cent in England (see table 4.1). This data suggests that Bradford’s economy is still in the middle of restructuring:

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<sup>17</sup> West Yorkshire Observatory, based on Office for National Statistics (ONS) population estimates.

manufacturing employment is expected to fall by around 10 per cent over the next 15 years.

**Table 4.1**

Population aged 16–64 in employment by sector in Leeds city-region, Greater Manchester, Bradford and England April 2010–March 2011

	Agriculture and fishing	Energy and water	Manufacturing	Construction	Distribution, hotels and restaurants	Transport and communications	Banking, finance and insurance	Public admin. Education and health	Other services
	%	%	%	%	%	%	%	%	%
Leeds City Region LEP	0.7	1.4	11.5	7.5	19.6	7.2	16.6	30	4.9
Greater Manc. LEP	0.1	1.3	10.7	7.3	19.6	8.6	15.0	31.5	5.3
Bradford	0.6	0.8	13.9	7.8	20.8	6.7	15.0	28.2	4.9
England	0.9	1.5	10.0	7.5	18.6	8.8	16.5	30.2	5.4

Source: Derived by BIS, from Annual Population Survey (workplace based), through Nomis (ONS)

An over-reliance on public sector jobs and retail employment was identified in the local economic assessment (BMDC 2010a): 31 per cent of employees work in the public sector, compared to the national average of 27 per cent. Between 2000 and 2008, public sector jobs, mainly in education and health, increased in the district by 7,400; in the same period private sector jobs fell by 10,700.

The Joseph Rowntree Foundation (Johnson 2011) concluded that while the recent recession exacerbated Bradford's economic problems, unemployment was already high before 2008: 'thus the impact of the economic downturn, while detrimental, was not dramatic'. However, youth unemployment has been badly affected, which is an area of growing concern: 26,000 of 16–24 year olds (42 per cent) are 'workless', either unemployed or economically inactive. The results of the 2011 Bradford perceptions survey reflect the economic hardship facing the younger generation: overall satisfaction and sense of belonging were less favourable, the younger the age group. As Bradford's growing population has a young age profile, youth unemployment is an area of particular importance in the district, which has implications for housing (discussed in chapter 6).

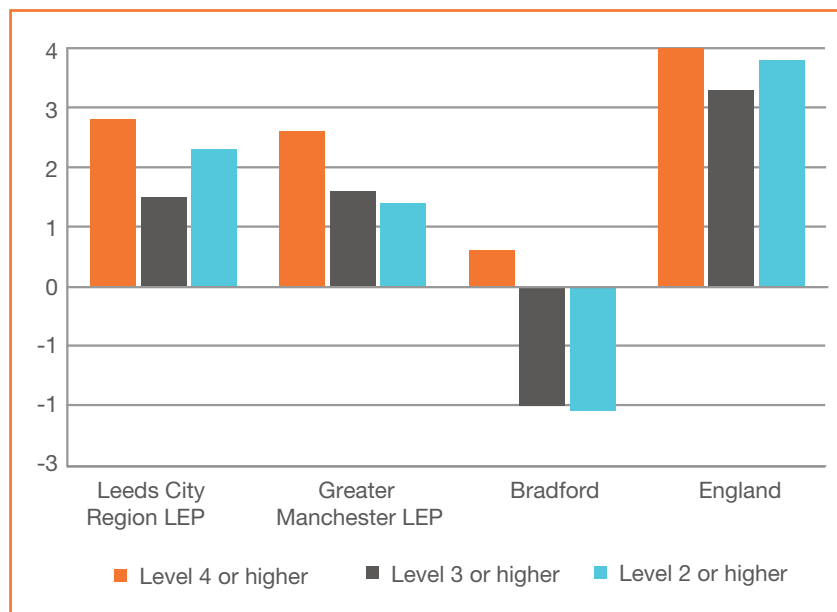
## 4.2 Socioeconomic profile

The challenges to Bradford's economy are low skills, low incomes, persistent worklessness and economic inactivity, which are concentrated near the urban centre. Bradford has the greatest level of polarisation in England, measured as the gap between the most and least deprived areas in the district. Housing is intrinsically linked to this gap, and many of the district's challenges regarding non-decency, overcrowding and empty properties are found in the same areas, concentrated in the City Central sub-area and to some extent in Keighley (see section 4.3 for details on housing sub-areas in Bradford).

Nearly one in three working age people are out of work, and the situation is worse for people with no qualifications, of whom 63 per cent are out of work. In terms of educational attainment, dealing with the low-skilled legacy is slow and Bradford still lags behind comparators: 18 per cent of its working age population have no qualifications, compared to 13 per cent for Yorkshire and the Humber and 12 per cent for England. Figure 4.1 shows that there was a small decline in level 3 and 2 qualifications from 2006–

2010, which means that the gap has grown compared with Manchester and Leeds city-regions and the English average.

**Figure 4.1**  
Change in qualification levels 2006–2010 (%)



Source: Derived by BIS from the Annual Population Survey (ONS)

The 2011 Bradford perceptions survey reveals a lingering lack of aspiration. Over three in five (63 per cent) residents said they were happy with their qualifications, and as many were confident that their lack of qualifications was not holding them back. Only one in six people wish to improve their skills (and pay to do so). Given that almost one in five do not have any qualifications at all, there is some concern about the lack of aspiration in Bradford when it comes to moving towards a higher-skilled, knowledge-based economy in future years.

Improving skills and employment outcomes will be crucial to the economic and social wellbeing of Bradford residents, and would also address the stark economic inequality and strengthen community cohesion (Akhtar et al 2011, Athwal et al 2011). It is important to bear in mind that housing is likely to be closely linked to the district's economic polarisation, due to the residential dynamics of deprived neighbourhoods and the impact of residential sorting (see chapter 3.2 on functional economic areas and polarisation).

### 4.3 Housing sub-areas and income distribution

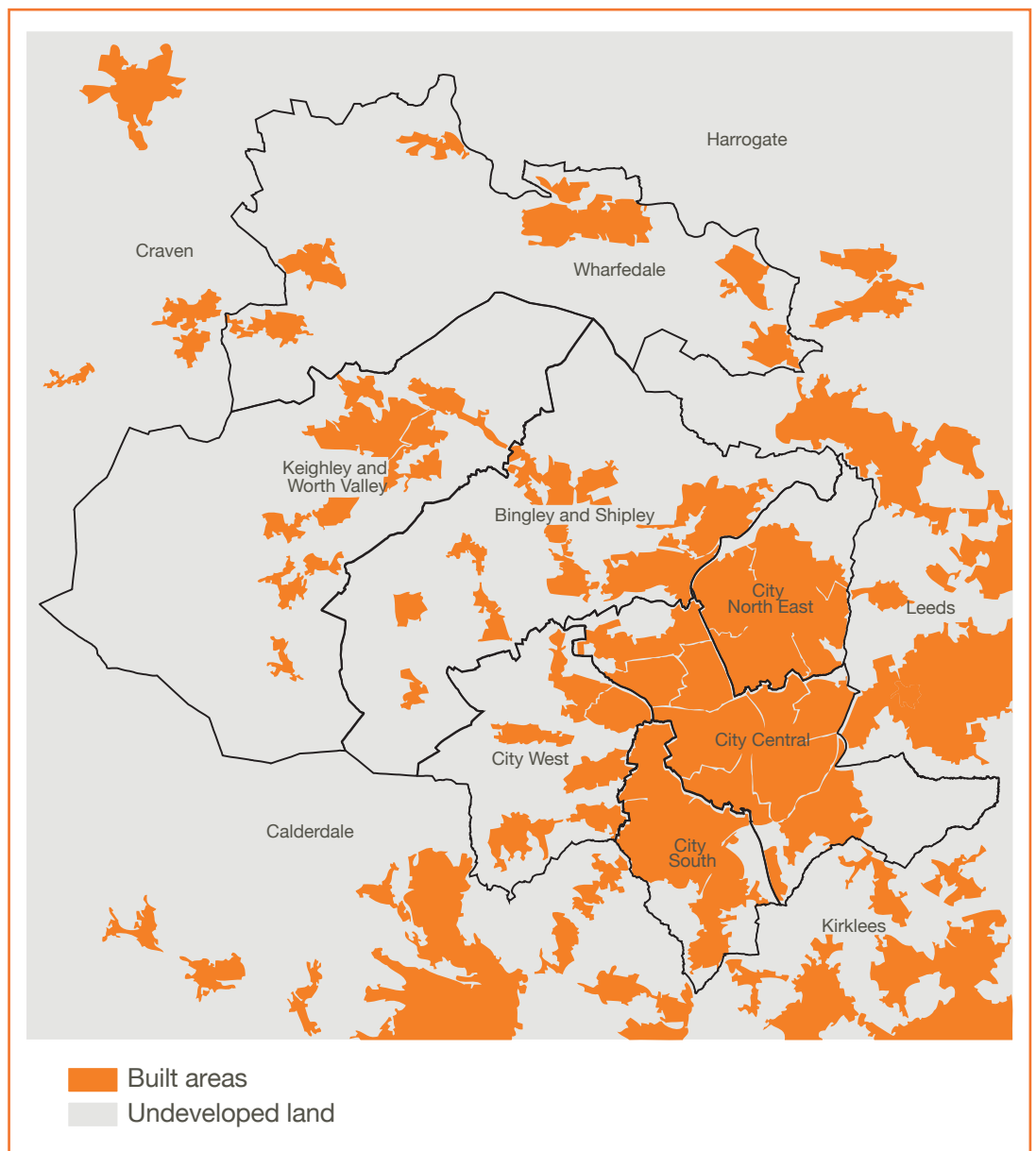
The previous chapter concluded that Bradford has one of the most polarised housing market areas in the country, a fact that was also recognised in the Bradford Strategic Housing Market Assessment (Arc4 2010). Wealth is distributed unevenly across the seven distinctive sub-areas in the district: Bingley and Shipley, City Central, City North East, City South, City West, Keighley and Worth Valley, and Wharfedale (see figure 4.2 over). The main problems of deprivation and poor housing stock are concentrated in the City Central area.<sup>18</sup> Sixteen per cent of Bradford households have an average income of £50,000 or more; most of these households are located in the Wharfedale and Ilkley wards. By contrast, 43.9 per cent (or 132,365 households) have a combined income of less than

<sup>18</sup> See figure 3.1 for income distribution in the Leeds city-region.

£20,000 per year. An additional 42,994 households in the district have a total income of less than £10,000 per year (BMDC 2011b).

The map below illustrates the seven housing sub-areas and the large amounts of undeveloped greenfield land in the district (much of which is protected green belt).

**Figure 4.2**  
Bradford housing  
sub-areas



Source: City of Bradford Metropolitan District Council for the author

#### 4.4 Cost of housing and Affordable Rent

The average property price in Bradford was just below £100,000 as of December 2011. However, prices vary significantly between the housing market sub-areas, as well as according to the type of property. An average detached home cost £219,720, a semi-detached was £105,884 and an average terraced house only £71,576 in December 2011.<sup>19</sup> As nearly half of the households in the district have a joint income of less than £20,000 per annum, even the cheapest average terraced house is unaffordable without a large deposit, which is difficult to achieve for households on low incomes. The average cost of rental housing is as follows:

- average social rent: £63 per week
- average Incommunities (LA stock transfer) rent: £61 per week
- average social rent (excluding Incommunities): £70 per week
- average private rent: £117 per week
- AR (80 per cent of average private rent): £94 per week.

As illustrated in figures 4.3 and 4.4 (over), the City Central sub-area has much lower private rents than more affluent areas: the lowest average rents are just £93 per week, compared to the highest average rents of £170 per week within the district. The maps also show how lower household incomes mean that affordability (calculated by percentage of household income) is in fact worse in the poorest part of the district. By contrast, social rents are broadly consistent across Bradford. However, it is noteworthy that if the HA sector was to meet the rent targets for 2015–2016 set by the government's rent restructuring policy, in some areas they would exceed market sector rents, which was highlighted as a major concern for the largest social landlord in the district, Incommunities.

#### Affordable Rent

The scope of AR is limited, as social rents are close to the market rent in many areas of Bradford already. AR viability is greatest in areas of higher private rent – the most affluent areas of Wharfedale and Airedale. Local MP David Ward spoke in parliament on 15 June 2011 criticising the policy, arguing that: 'Incommunities, the largest social housing provider in the district, which manages two-thirds of the social housing, has projected that using AR alone would generate for the whole of the Bradford district only an additional £120,000 a year.'<sup>20</sup>

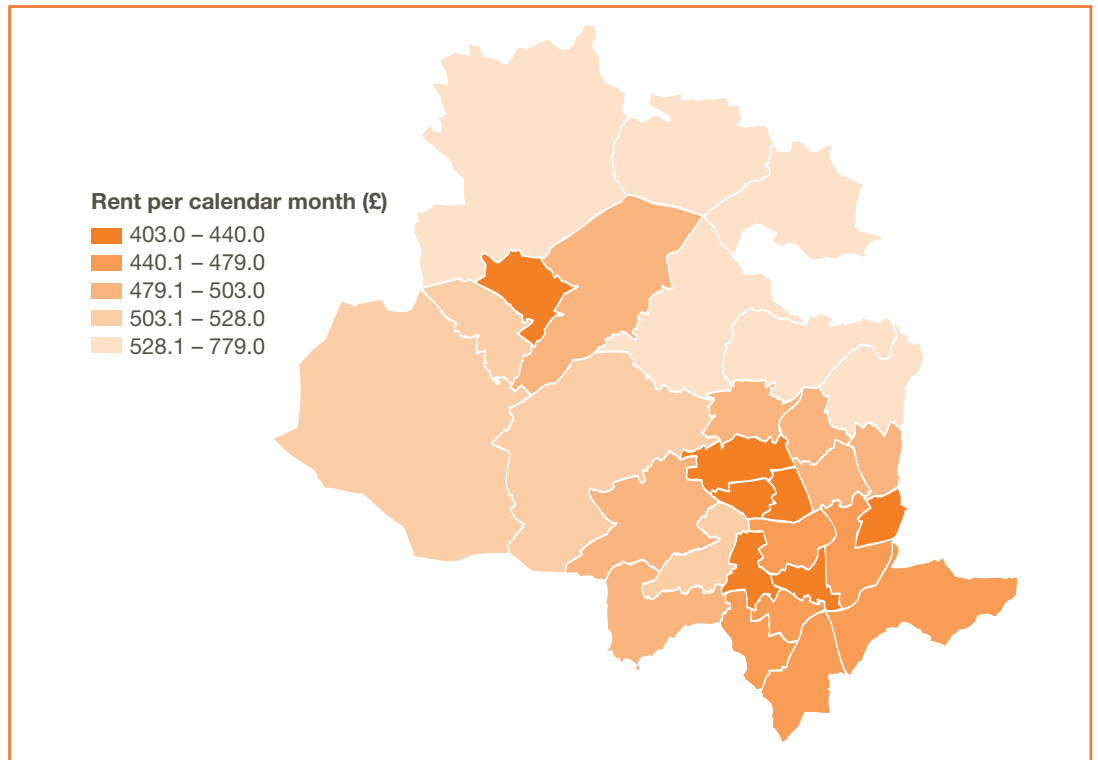
Bradford council has supported bids by Bradford registered housing providers to HCA, which have approved over 400 AR units over four years to 2015. The council itself has secured 80 AR units on sites in Ilkley and Bingley using council-owned, high-value land, or through section 106 land negotiation with a developer, supported via cross-subsidy from outright sales in the scheme.

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19 See <http://www.landreg.gov.uk>

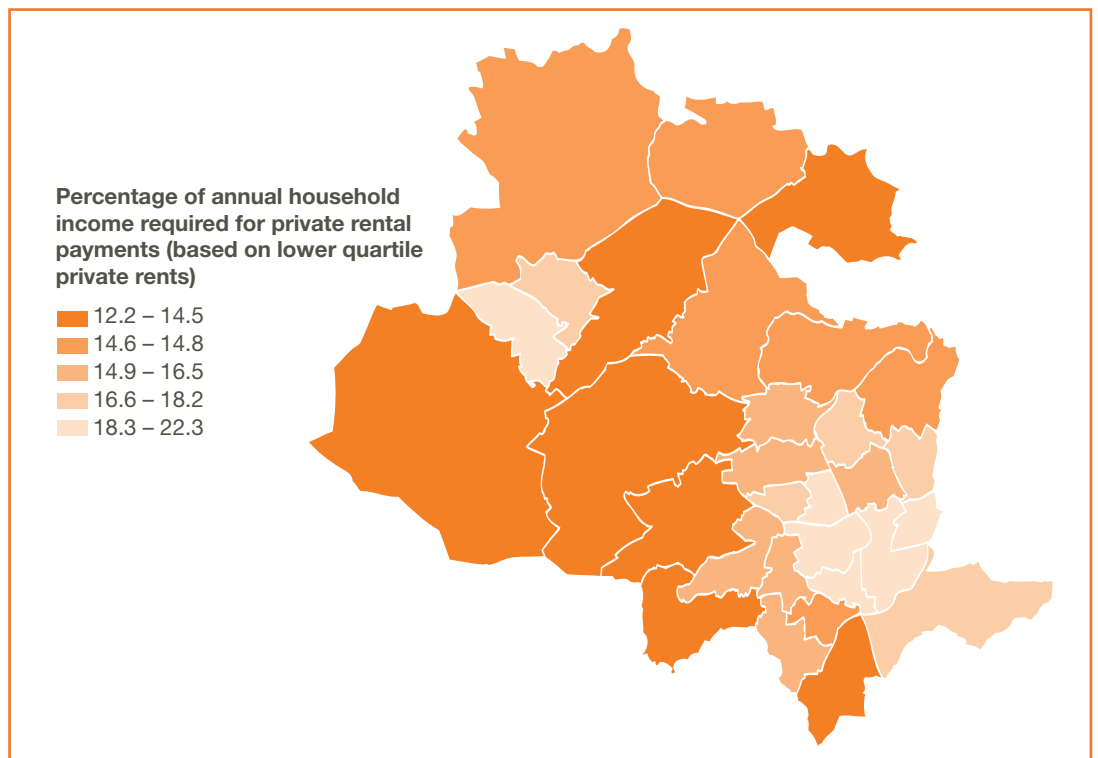
20 See <http://www.theyworkforyou.com/whall/?id=2011-06-15b.320.0>

**Figure 4.3**  
Average private rent in  
Bradford 2011 (£ per  
month)



Source: Bradford Observatory 2012

**Figure 4.4**  
Private rent affordability  
in Bradford 2011



Source: Bradford Observatory 2012

## 5. DEMAND FOR AND SUPPLY OF HOUSING IN BRADFORD

### 5.1 Household growth

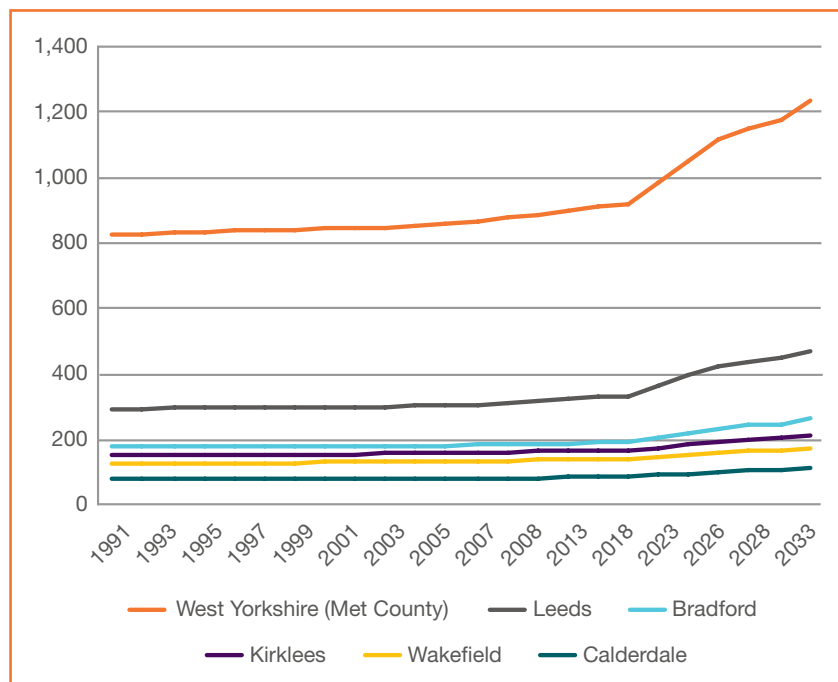
Housing demand is largely driven by population trends, which are linked to household formation. Alongside net population change related to births, deaths and net migration, more nuanced factors – such as marriages and divorces, or other social trends and norms – and economic constraints influence the ‘headship rate’ that is used to estimate future household trends.

The current population of Bradford is estimated at 523,850. At a time when most metropolitan districts have experienced a stagnant or declining population, Bradford’s population has increased by 8 per cent since 1995. Therefore, the local housing market in Bradford faces pressure from the projected population growth. The population of 466,000 as recorded in the 2001 census has been predicted to increase as follows:<sup>21</sup>

- 2001–2006, by 5.6 per cent to 493,200
- 2006–2011, by 6.8 per cent to 526,700
- 2011–2016, by 6.6 per cent to 561,600 residents.

Population projections are used to inform the official CLG household projections. According to these estimates, the number of households in Bradford will reach 262,000 in 2033 (from a 2008 ‘benchmark’ of 192,000 – see figure 5.1 below). From figure 5.1 it is clear that the fastest household growth has been projected to take place from 2008 onwards in the two most populous urban centres in the sub-region (Leeds is predicted to experience the sharpest rise, followed by Bradford). Overall, a 50 per cent growth in the number of households is expected in the sub-region during this period, which has been highlighted as a major challenge for affordability by the NHF (2011a).

**Figure 5.1**  
CLG household growth  
projections to 2033 in  
West Yorkshire



Source: ONS Live Table 406

<sup>21</sup> Source: ONS estimates/projections.



### Future priorities

It is unlikely that future household growth will be evenly spread across the district. Analysis and monitoring would be recommended in order to predict demand for housing and other services accurately, especially in terms of age profile. An important demographic trend that affects the nature of housing demand relates to the increase of single-person households. The proportion of single-person households has steadily increased in England and is predicted to rise in the future due to socio-demographic changes, as a person's likelihood of living alone increases with age.

Early policy development to support the housing (and related) needs of older residents, which is linked to better managing stock in terms of over- and under-accommodation, will be important. To this end, Bradford council has recently adopted a 10-year housing strategy for over-50s (BMDC 2011c), which estimates that householders aged 50+ have an estimated £7 billion of equity in their homes. Approximately 67 per cent of 65–84 year olds own their home outright, and 80 per cent of 50–64 year olds are owner-occupying either outright or with a mortgage. Here, private sector providers can step in to provide services through equity release.

Elderly residents occupying large homes that are unsuitable for their needs or living in non-decent housing is likely to become a more urgent concern as energy prices rise in the future. Therefore, local housing strategy should prioritise sustainability, carbon footprint and fuel poverty agendas for vulnerable groups – not only elderly residents, but also low-income families with young children. Any opportunities to link with current policies such as the renewable heat incentive and the green deal should be explored fully to improve the thermal and energy efficiency of the housing stock.

## 5.2 Housing supply

### Current and new homes

Bradford's council tax data shows that there are approximately 208,670 dwellings as of April 2011. In terms of tenure split, 70 per cent are owned outright or with a mortgage; 15 per cent are rented from housing associations and 14 per cent are rented in the private sector (Arc4 2010). However, given that the national average for private renting is now 16 per cent, it is also likely that Bradford's PRS has grown since the data was collected in the household survey of 2007–2008, especially with regard to the strong growth in the numbers of LHA claimants, some of whom could be new in the sector (see chapter 6).

In terms of house-building trends, the annual additions to the stock are depicted in table 5.1. The most recent year (2010–2011) shows that net additions (700) have plummeted since their peak in 2007–2008 (2,156). A similar pattern can be observed in the region more widely.

**Table 5.1**  
Net additional stock,  
2004–2005 to  
2010–2011

	'04–'05	'05–'06	'06–'07	'07–'08	'08–'09	'09–'10	'10–'11
Bradford	1,361	1,369	1,578	2,156	1,440	999	700
Yorkshire and the Humber	12,470	16,130	19,160	20,270	14,780	11,030	11,040

Source: CLG Live tables and BMDC 2010b

To meet the demands of the projected growth in population and households, Bradford council aims to increase the supply of housing by 2,700 units per annum. The LA and their partners contend that a failure to accommodate the needs of the growing population

could, among other things, affect homelessness and overcrowding (BMDC et al 2011). This target is challenging but not unimaginable, since 2,156 units were built in 2007–2008 – the same year in which the overall net additional dwellings peaked at over 200,000 in England.

Recent research (Level 2010) estimates that 10–40 per cent of new homes in Bradford have the potential to be affordable, depending on local land values and other factors such as the size of the development and the expected profit for developers in individual schemes. However, a consistent message throughout the case study was that inflated land values are a major barrier to new development in the district, as landowners take a ‘rear mirror view’ approach to land value.<sup>22</sup> Under such conditions, compounded by the recession, delivering affordable homes is particularly challenging. However, given the low wages in the district, affordability will be a major consideration for a large part of the population. With the removal of section 106 requirements for affordable housing in the NPPF, and the much broader scope of the community infrastructure levy, it would be strongly advisable that the local council should develop a clear sense of affordable housing supply. As outlined in the localism agenda, local plans will be key to steering development.

To accommodate the growing population, it is vitally important to boost the housing supply in the Bradford district. Whether out of necessity or by choice, the PRS is likely to absorb a large share of the new households formed. The most recent English Housing Survey found that over two-thirds (68 per cent) of new households formed in England in 2008–2009 and 2009–2010 were living in the PRS. Much-vaunted institutional investment in residential lettings would seem relevant in the Bradford context, given the demographic profile, but the widely recognised barriers to institutional investment are substantial. These include the scale of the development required to attract large institutional funding and to qualify as a real estate investment trust – over 2,000 units – especially if the scale is assessed within the boundaries of only a single LA area. The policy discussion around the use of public sector (especially LA-owned) land is salient here. However, multiple local authorities would have to collaborate in order to build up the number of units to meet the threshold required for institutional investment.

To generate an attractive rate of return for an institutional investor,<sup>23</sup> the LA would need to defer their capital returns for a fixed period. Within Bradford, there is a readiness to think creatively about such solutions in order to promote engagement with a range of potential investors, such as pension funds or even sovereign wealth funds. However, the lower-than-average rents are an added barrier to investment in Bradford; new schemes are likely to have to charge above the current market rent level to generate enough return.

A word of caution is necessary here. As seen in the recent past with private finance initiatives, the public sector has been largely unsuccessful in risk transfer due to a variety of factors, notably shortcomings in procurement practices and commercial skills (House of Commons Treasury Committee 2011). In a residential lettings development, such risk transfer relates to future vacancies, and IPPR’s interviews in Bradford suggest that developers have no appetite for risk, especially in the current economic climate. Whether or not it would be acceptable for the public sector partner to carry the risk for vacancy rates is not straightforward. The governance arrangements of such a model are the key issue – in particular, how commercial gain and risk are apportioned in the contracts.

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22 Recent research suggests that land values in Bradford have fallen more than in other parts of England.

23 Widely considered a minimum of 7 per cent.

Any use of LA land in a commercial partnership should represent value for money for taxpayers. However, the developers seem to have all the negotiating power in this respect, presenting an all-or-nothing option to the public sector partner. Future ‘vacancy bills’ for local authorities may be difficult to avoid without other incentives, such as relaxing the tax regime for residential lettings.

### 5.3 Empty homes

The previous section focused on new-build, in particular residential lettings development, as a way of boosting housing supply. However, bringing empty homes back into use can also increase housing supply. The government’s *Housing Strategy for England* (CLG 2011a) recognised that there are over 700,000 empty homes in England, over 300,000 of which have been empty for over six months. The strategy announced funding to local authorities to encourage empty homes to be brought back into use. The policy initiatives for tackling empty homes are listed in the box below.

- **NHB:** for every empty property brought back into use, the council tax will be matched for six years.
- **AR 2011–2015:** the HCA will make £100 million in funding available from April 2012 to bring 3,300 vacant properties back into use.
- **The HCA Empty Homes Skills and Capacity Building Programme,** sponsored by CLG, aims to maximise local authorities’ capacity to deal with empty properties. An empty homes online toolkit is one of the products of this programme.
- **The Localism Act and the NPPF** also include provisions to encourage empty homes to be brought back into use.

A case study of Bradford by Clarke et al (2010) identified a high level of private sector vacancies in the district, concentrated in the central wards and Keighley. Targeting the non-decent private sector stock also offers the added benefit of tackling the difficult housing legacy in the district. In light of the rising demand for housing and the record low net additions to stock, government policy recognises they are a ‘wasted housing resource’ (CLG 2011a).

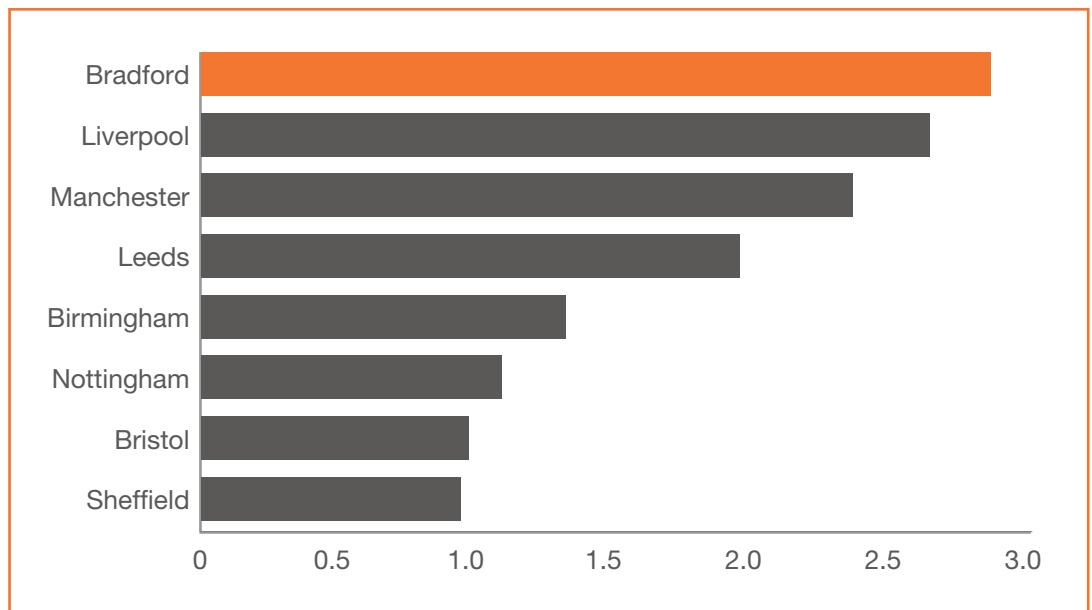
The detrimental effects of empty homes on neighbourhoods is acutely felt in weaker housing market areas, many of which are found across the north of England. Long-term empty properties (more than six months) can attract crime and vandalism, which are a strain on public services. The reputation and house prices of a neighbourhood with several vacant properties can also be adversely affected. Consequently, the inclusion of empty homes in the NHB can provide a valuable resource for regeneration in challenging market conditions, as well as increase the supply of homes at a time when new development is at a record low. There is a substantial literature on the nature of the problem of vacant homes and best practices in addressing it, including government guidance (HCA 2010).

Due to its industrial legacy, empty homes in the private sector in Bradford tend to be concentrated in areas with older housing stock. Poor-quality back-to-back terraces in the town centre are a problem, yet Clarke et al (2010) found that flats are more likely to be empty long term – they make up 6 per cent of the stock but account for 29 per cent of long-term vacant properties. The main reason for private sector vacancies is that

owners and would-be landlords are unable to afford to renovate their property to current standards. Furthermore, absentee landlords and new speculative landlords who entered the market in the housing boom with the help of buy-to-let mortgages can be stuck in the current housing market, unable to rent or sell their properties, and some struggle to pay their mortgage (ibid).

There are almost 3,500 long-term empty properties in the private sector in Bradford. Reflecting the unevenness of the local housing market, the rate varies significantly between the more desirable and affluent areas such as Wharfedale, and the more deprived City Central area, which also has a higher concentration of overcrowded properties (Arc4 2010). Compared with other core cities, Bradford has the highest rate of long-term private sector empty properties, as shown in figure 5.2.

**Figure 5.2**  
Long-term empty homes  
(vacant over six months,  
% of total PRS stock)



Source: BMDC 2012b

Table 5.2 shows that the number of vacancies overall has increased in both Bradford and the wider region since 2004, in contrast to an overall reduction in vacancies nationwide. However, a substantial fall in the number of vacancies from 2009–2010 reflects Bradford’s recent success in bringing empty properties back to use.

**Table 5.2**  
Long-term empty homes  
across the district,  
2004–2010

	2004	2005	2006	2007	2008	2009	2010
Bradford	3,730	3,871	4,277	6,410	7,068	7,302	5,757
Yorkshire and the Humber	36,550	35,715	36,336	40,084	43,352	41,512	38,187
England	318,642	313,616	314,719	314,285	326,954	316,416	300,526

Source: CLG Live tables

Meanwhile, vacancies in the social rented sector have reduced between 2004 and 2010 in Bradford and the region, in line with the national trend (see table 5.3 over).

**Table 5.3**  
HA vacancies,  
2004–2010

	2004	2005	2006	2007	2008	2009	2010
Bradford	1,727	1,300	653	962	775	1,017	1,210
Yorkshire and the Humber	4,309	4,239	2,898	3,700	3,218	3,390	3,223
England	43,285	35,047	30,892	32,077	30,799	33,451	27,946

Source: CLG Live tables

In 2012, Bradford council created a dedicated Empty Homes and Loans team, which consists of 10 full-time staff: two environmental health officers, two empty homes advisors, two financial advisors, two home improvement officers, a quantity surveyor and a technician. An Empty Homes Delivery Plan (BMDC 2012b) was adopted by Bradford council in early 2012 (see box below), which identifies the methods that the council and its partners are already using to reduce the number of empty homes in the district, and outlines areas where more will be done. In addition to using local authorities' legislated enforcement powers (such as compulsory purchase orders and reversing council tax discounts on empty properties), preventative measures and incentives are also offered, such as grants and loans to help with property upgrades, the private leasing scheme, and the bond scheme, which provides a rent deposit and guarantee for eligible social tenants.

#### **Bradford Empty Homes Delivery Plan 2011–2014 objectives**

- Prevent properties from becoming empty by being proactive in specific problem areas (such as where there are clusters of houses that have been empty for over six months) by engaging with owners early.
- Partnership approach to tackling empty homes, as the issues associated with them affect a range of organisations and individuals.
- Practical solutions to bring empty homes back into use:
  - to bring back into use through support and legal processes empty properties that are attracting anti-social behaviour/ crime and those causing blight in a neighbourhood
  - promote projects and programmes that remove the barriers to getting properties back into use (such as empty homes loans, private sector leasing)
  - enforce the council's statutory duty on empty homeowners if the property is causing a nuisance or hazard to the public as recognised in the statute, for example insecure property or water penetration (burst pipes, guttering).
- Prosper: maximise resources for the district through opportunities such as the NHB, recycling investment, enforcing repayment of debts to the council (including council tax) and sharing risk with partners.

Source: BMDC 2012b

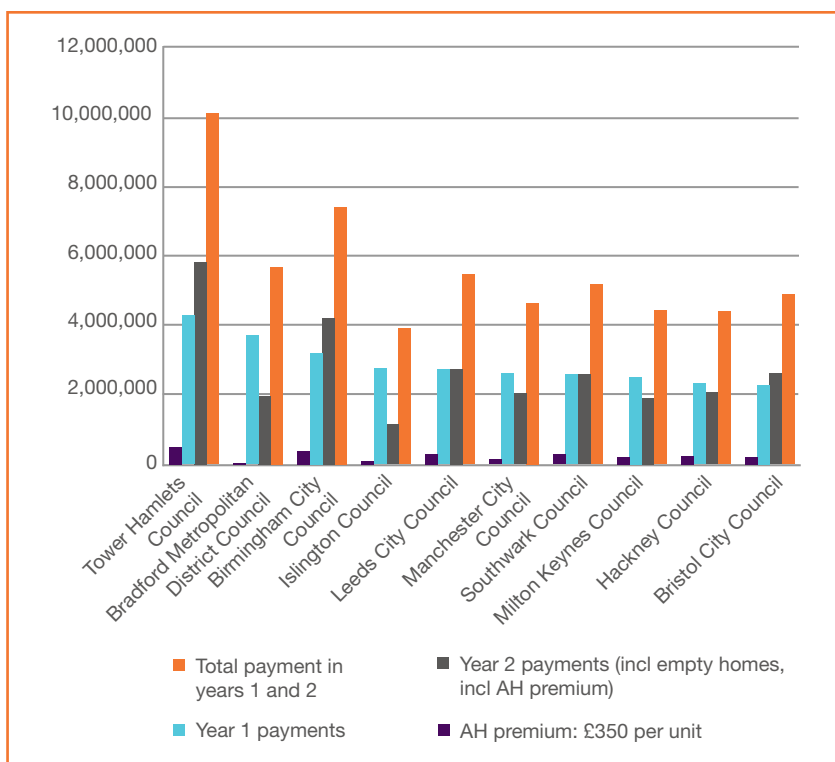
## **5.4 New Homes Bonus**

One of the Coalition government's flagship policies to boost the supply of homes is the NHB, through which the government matches the council tax of new homes and those brought back into use, with a £350 premium for affordable homes, paid for six years. The NHB is paid as an unhypothecated grant, so local authorities can use it according to local priorities (CLG 2011b).

Comparatively speaking, Bradford has done well under the NHB scheme. The NHB allocations for the top 10 local authorities in England are listed in figure 5.3, in the order of year 1 payments (in which Bradford will receive approximately £2.7 million). In Bradford, success is largely based on bringing empty homes back into use, which was discussed in the previous section. However, due to a moderate allocation in year 2, Bradford's total gain from NHB is somewhat lower than that of the other local authorities listed below. Indeed there are others, notably Cornwall and Westminster, which receive over £5 million each in total, but the bulk of their payment is in year 2 (CLG 2011f).

Although nationally the NHB has been criticised for offering too little by way of revenue, from a Bradford perspective, it has been a successful policy that has helped to build investor confidence in an economically challenging climate. The promise of future NHB contributions has supported specific housing developments in the district, as well as boosted much-needed net additions to the current stock.

**Figure 5.3**  
Top 10 NHB provisional allocations, UK, 2012–2013 (£)



Source: CLG 2011f

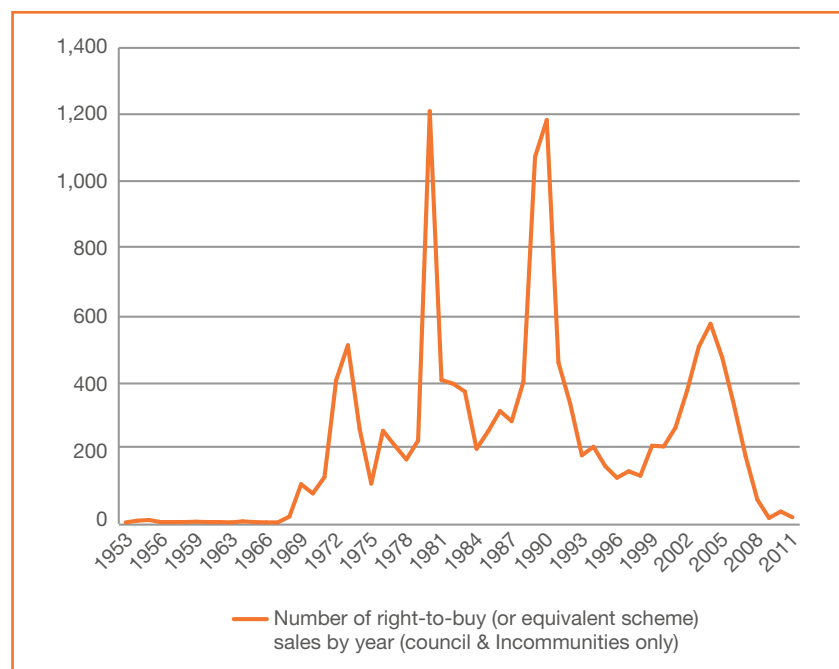
### 5.5 Making the best use of social stock: a turnaround in 10 years

In terms of demand for social housing, there are currently nearly 20,000 people on the housing register in Bradford, more than half of whom (approximately 11,000) are classed in the lowest need band (according to a four-tier housing needs assessment) and are therefore unlikely to be allocated a property. The volume of lets on an annual basis is in the region of 2,500 units; approximately 1,200 vacancies are in HA stock. Currently, 75 per cent of properties are allocated on the basis of housing needs, and the remaining 25 per cent are allocated through a waiting list. The highest demand, unsurprisingly, is for family homes in 'popular' neighbourhoods.

Social housing stock in Bradford is mainly flats (46.8 per cent) or houses (46.4 per cent), with a small proportion of bungalows (6.7 per cent). There is a range of property sizes: 38.7 per cent of stock is one bedroom/bedsit, 24.8 per cent has two bedrooms, 32.1 per cent has three bedrooms and 4.5 per cent has four or more bedrooms (Arc4 2010).

Since the voluntary transfer of former LA stock, Bradford has seen a substantial reduction in vacancies in the social rented sector. Ten years ago, Bradford’s social housing stock had low demand and high vacancies. In February 2003, all previously council-owned housing stock was transferred to a new large-scale voluntary transfer company – Bradford Community Housing Trust (BCHT, now Incommunities). BCHT, a registered social landlord, took ownership of 27,000 ex-LA properties; a decade later the stock has reduced to just over 21,000 dwellings though RTB and demolitions. Figure 5.4 shows the volume of RTBs in Bradford district since 1953, which shows four ‘peaks’ of sales; the latest peak was in 2004.

**Figure 5.4**  
RTB sales in Bradford,  
1953–2010



Source: Incommunities, October 2011

Open Moves (run by Incommunities) currently provides the housing options and prevention service in the district. This includes fulfilling the council’s statutory homelessness duties and managing the choice-based lettings (CBL) scheme on behalf of the council. The CBL scheme was originally introduced to address low demand and open up Bradford’s social housing stock for anyone to apply. From the mid-2000s onwards, the popularity of social renting increased and pockets of low demand were confined to specific neighbourhoods and types of stock (such as sheltered housing, unpopular flats).

Vacancy rates were reduced partly because it was accepted that some homes were suitable only for demolition, particularly in areas with low demand and smaller flats, and where properties built using non-traditional methods were beyond economic repair. However, a significant breakthrough was made in Bradford regarding expanding access to social housing within the Asian population. Before the transfer to BCHT, the council had housed very few Pakistani and Bangladeshi residents. Although the local population is

more than 20 per cent black and minority ethnic (BME), just 2 per cent of council tenants were from BME communities and there was a significant lack of representation of Asian households in the social rented sector (see for example Ratcliffe et al 2001). There have been various studies of the housing needs of BME communities in Bradford, including outputs from the local New Deal for Communities, Bradford Trident, and the local strategic partnership (Bradford Vision); much of this work relates to community cohesion in the district. The key issue that emerged from these studies is the social and economic isolation of most Pakistani and Bangladeshi households.

The ethnicity of social tenants in Bradford since 2005 is shown in table 5.4 below, according to which some 21 per cent of the stock is currently let to Asian, Black or Mixed households.

**Table 5.4**  
Proportion of social general needs lettings by ethnic group of household head (%)

	Fiscal calendar 2005	Fiscal calendar 2006	Fiscal calendar 2007	Fiscal calendar 2008	Fiscal calendar 2009	Fiscal calendar 2010
	BASE	BASE	BASE	BASE	BASE	BASE
Asian	11	11	12	12	12	13
Black	5	4	3	4	3	5
Missing	3	1	2	0	0	0
Mixed	3	3	3	2	2	3
Other	1	1	1	1	1	0
Refused	1	1	2	2	0	0
White	78	79	78	79	81	78

Source: BMDC 2011 for the author

Note: Rounding may result in columns adding to more or less than 100 per cent.

A significant threat to Bradford's success in managing social stock is posed by the government's changes to HB, which is discussed in more detail in the next chapter. In short, the government's intention to cut HB for social tenants who are technically over-accommodated according to the bedroom standard (see box below) is likely to create problems in terms of efficient use of social stock and rental revenue.

#### **The bedroom standard for overcrowding/under-occupation**

The bedroom standard explains how bedroom space is to be used sparingly based on age, sex, marital status and the relationships of family members. A bedroom is defined as 'any room that, when built, was intended to be a bedroom even if it is not used as such at present and even if it does not have a bed in it. It must have a window'.

A separate bedroom is allocated to each:

- married or cohabiting couple
- adult aged 21 years or more
- pair of adolescents aged 10–20 years of the same sex
- pair of children aged under 10 years, regardless of sex.



BOXED TEXT CONTINUED

Any unpaired person aged 10–20 years is paired, if possible, with a child aged under 10 years of the same sex or given a separate bedroom if this is not possible. The same applies to any child aged under 10 years. Under-occupied households are those that are two or more bedrooms above the bedroom standard.

Source: Welfare Reform Act 2012

## 5.6 Resolving the ‘mismatch’

Resolving the so-called mismatch in how the existing housing stock is occupied is often offered as a potential solution to the pressures in the housing market and the acute shortages in family-sized accommodation. Some demographic trends will be central to achieving this balance, particularly the ageing population. The number of people aged 85 and over is projected to increase by 34 per cent over the next 10 years, rising nationally from 1.3 million in 2008 to 1.8 million in 2018, and to more than double over the next 25 years, reaching 3.3 million by 2033. This trend will likely contribute to a worse housing mismatch, because older people often live in large family homes on their own. The ageing population has also been identified as a key priority by the House of Commons CLG Committee (2010); the committee has drawn attention to health issues, which are exacerbated by concerns about fuel poverty in the future.<sup>24</sup>

Under-occupancy is a major contributor to fuel poverty (Saunders et al 2011). The number of single-person households as a proportion of all households has steadily increased in England and is predicted to rise in the future due to socio-demographic changes and the fact that a person’s likelihood of living alone increases with age. The number of people living alone increased from 7.0 million to 7.5 million between 2001 and 2010; single-person households now represent 29 per cent of all households (ONS 2011). The Move to Improve scheme in Bradford has represented exceptional value for money in making the best use of existing adapted stock and tackling the mismatch between over- and under-occupancy in the HA sector (see boxed text over).

Since the start of the Move to Improve scheme, a handful of other registered social landlords (RSLs) have taken part in the scheme, but interest from them has been limited. Apart from other social landlords, private landlords – and particularly the owner-occupied sector – could be key here in light of other policy areas of increasing importance, such as fuel poverty. As owner-occupiers are by far the largest tenure, the biggest impacts could potentially be made in this sector. In order to maximise the benefits of the scheme, the cooperation of other landlords beyond Incommunities (private and social) would be required, and it should be expanded to the open market.

Additionally, a pilot project was launched in Bradford in October 2010 to help older people in owner occupation access more suitable adapted properties in the social market by developing an internet-based property database. This scheme was developed via a knowledge transfer partnership between the University of Bradford and Incommunities and is one of the first such schemes to be run by a social landlord in the country.<sup>25</sup>

<sup>24</sup> Ofgem has predicted that the average household fuel bill could be £2,000 per annum in 2020.

<sup>25</sup> For-profit companies already provide a ‘hand-holding’ service to help older people release equity from an owner-occupied home and seek more suitable accommodation.

### Move to Improve under-occupation scheme

Initially the funding for Move to Improve came from the Overcrowding Pathfinder and Incommunities; later it was incorporated into the homelessness grant from which the current resources come. The scheme covers the costs associated with decorating the house or moving up to a maximum of £750 per case. The overall cost per move to date has been remarkably low, at just under £450 (see table 5.5 below), given that the tenants receive assistance with every aspect of moving house.

An evaluation survey of the scheme highlights that participants in the scheme considered its top three benefits to be:

- having a dedicated housing officer facilitate the move
- having priority for the new house over other bidders (on CBL)
- being able to move into their first-choice area.

Since under-occupying households are typically elderly, the scheme also creates efficiencies by making better use of existing stock by matching adapted properties with people who would need to make changes in order to stay in their current (unadapted) home. Since its inception in March 2009, the scheme has saved nearly £243,000 (see table 5.5 below), offsetting the running cost of the scheme (£85,000) against the overall value of the adaptations that would otherwise have been made to the vacated and relet properties (£328,000).

Table 5.5 summarises the impact of the scheme since its introduction in March 2009 (to September 2011). Since October 2010, 82 per cent of relets have been to overcrowded or homeless households. While all of those properties were offered to those two priority groups, some 18 per cent declined the offer of a 'family home'.

**Table 5.5**  
Move to Improve scheme  
since inception, March  
2009 to September 2011

People who have joined the scheme to downsize	364
Number of moves since inception	191
Average cost per move	£449
Number of beneficiaries	267
Total money spent since start of scheme	£85,396.14
People seeking adaptations	123
Adapted properties relet since	95
Costs of adaptations if people remained	£328,000.00
Savings made by moving to adapted properties	£242,603.86
Savings made by moving to adapted properties	73%

Source: BMDC Move to Improve Quarterly report, September 2011

## 5.7 Overcrowding

A national average of 2.7 per cent of households were affected by overcrowding from 1997–2007. During this period, the rate was three times higher in the PRS and four times higher in the social rented sector, compared with owner-occupiers. Overcrowding is forecast to increase in the future and it is likely to affect migrant groups disproportionately due to their larger family size and the lack of availability of affordable large family homes (Bramley et al 2010).

In 2008, the Bradford district was identified as an area experiencing particularly high overcrowding. The Bradford Metropolitan District council (BMDC) took part in the CLG Overcrowding Pathfinder programme from April 2008 to March 2011. BMDC received £310,000 to lead on partnership approaches to tackling overcrowding; Incommunities was their primary partner.

Bradford’s pilot in tackling overcrowding has been widely recognised as a success, despite formidable challenges. The principal measures explored in the pilot were making the best use of under-occupied socially rented stock, targeting ‘options’ visits to vulnerable overcrowded households, improvements to allocations policy and accessing empty properties in the private sector.

The research undertaken as part of the pilot suggested that 4.14 per cent of households across all tenures in the Bradford district were overcrowded. As of 2011, the figure has increased to 9 per cent of all households (Bradford perceptions survey 2011) – considerably higher than the English average, and even above London’s rate of 6.8 per cent (Mayor of London 2010). Table 5.6 depicts overcrowding levels across all tenures in the district.

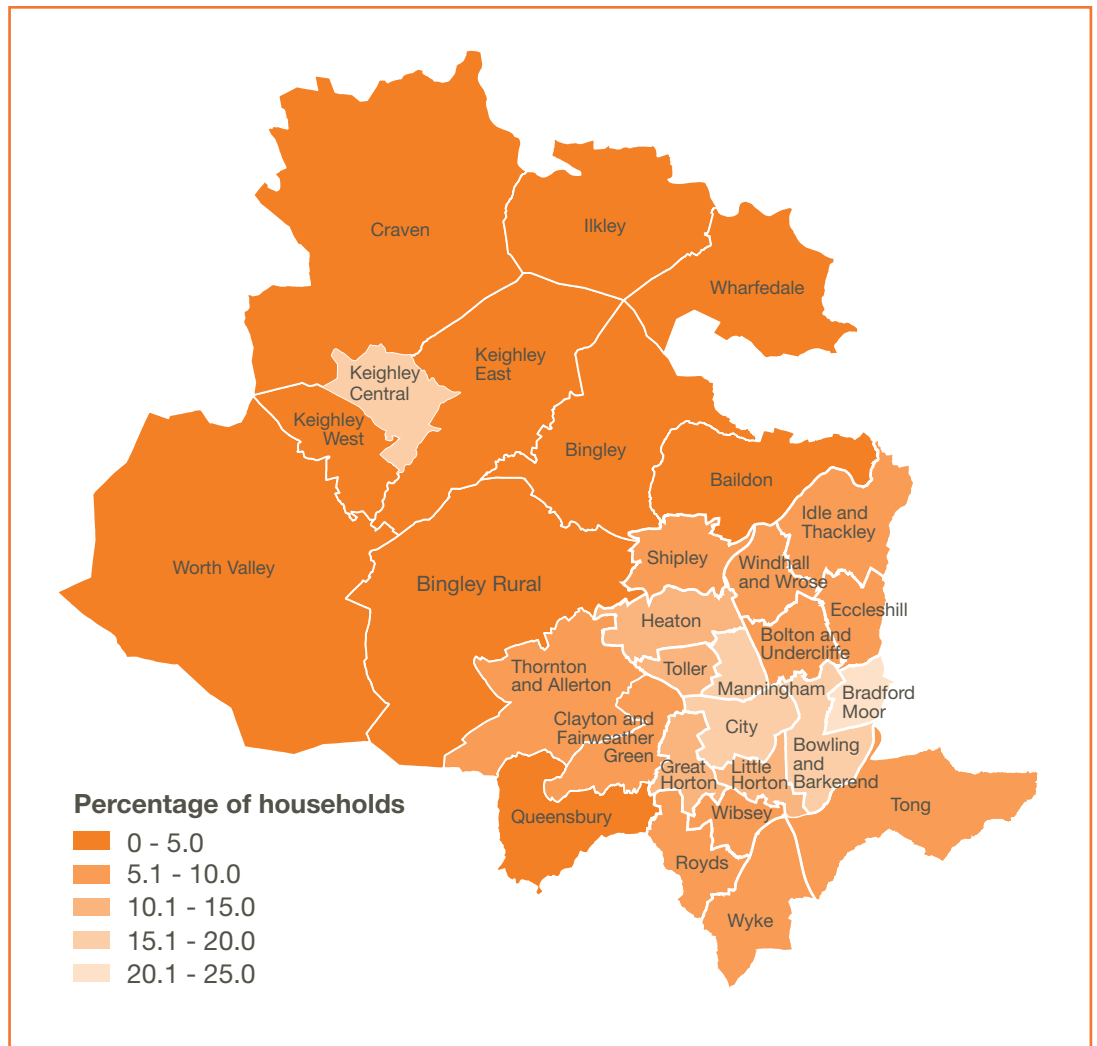
**Table 5.6**  
Overcrowding in  
Bradford by tenure,  
2011 (%)

Tenure	1 bed	2 beds	Total
Social rented: Incommunities	1	8	9
Social rented: other HA	2	7	9
Private rented	2	8	10
Mortgaged	2	8	10
Owned outright	2	5	7

Source: BMDC data, August 2011

This research also yielded data on the age distribution of overcrowding: analysis of the Bradford perceptions survey 2011 shows that a person’s likelihood of living in an overcrowded household decreases substantially with age. Between 21 and 25 per cent of people up to the age of 24 live in overcrowded households (by one or two bedrooms), as opposed to 4 per cent of 65–74 year olds, and 2 per cent of those aged 75 and over. Almost one-quarter of all young people in Bradford up to the age of 24 lived in overcrowded households in 2011. Therefore, almost by definition, overcrowding affects mainly families with children, and this situation is likely to be exacerbated in the future with changes to HB and LHA, discussed further in the next chapter. Overcrowding in Bradford is concentrated in areas with low incomes: City Central and Keighley, as seen in figure 5.5 over.

**Figure 5.5**  
Percentage of households overcrowded by ward (bedroom standard definition)



Overcrowding in the district has a marked ethnic dimension, as mentioned in research by Bramley et al referenced above. The Bradford pilot found that while BME residents are more likely to be overcrowded, they are also less likely to consider their households as being overcrowded. The 2011 perceptions survey confirms that overcrowding continues to be more prevalent among Indian (16 per cent), Pakistani (24 per cent) and Bangladeshi (17 per cent) households than white British (6 per cent) or other white (8 per cent) households.

### 5.8 Future directions – making the best use of resources

Welfare reform and the Localism Act 2011 were highlighted as key influences in the Bradford case study, as well as the government’s recent attention to and resources for tackling empty homes, which is a priority in the district. To this end, the council has prepared a bid to the HCA for funding to support private sector empty homes leasing and ‘homesteading’ schemes. These programmes are intended to be implemented in partnership with registered providers, including Incommunities, with the aim of increasing the supply of affordable housing in the district and returning long-term empty properties to use. The real added value of tackling empty homes is the contribution this makes

to regenerating communities, addressing the industrial housing legacy in the district, and bringing in extra resources via the NHB, which can help match funds or leverage borrowing for other schemes in the district. However, empty homes alone will not meet the future housing demand, and while returning them to use does supplement the building of new homes, it cannot replace new build. Nor will it go far enough in tackling the level of non-decency in the PRS stock: more is needed to improve the sector.

In the affordable sector, CBL is under review and a new allocations system is being piloted, in which properties can be allocated directly instead of using CBL's cumbersome bidding process. Since demand for social housing in most cases outstrips supply, and in light of the nearly 20,000 people who are potentially interested in social lets in Bradford vis-a-vis the average 2,500 new lettings per annum (or 1,200 vacancies), the allocations policy review is sensible. Furthermore, increased cooperation with other landlords in the district is sought to boost the housing offer through the lettings system managed by Open Moves<sup>26</sup> (launched in 2010). The underlying motivation is to decide locally who should be on the housing register. The changes ahead aspire to create sustainable communities, in terms of mixed tenure, managing customers' expectations and making better use of existing stock – to this end, the flexible tenancies introduced by the government are welcomed within the HA sector. Furthermore, direct lets are envisaged to better meet the needs of elderly residents and reduce vacancy rates in sheltered accommodation.

### **Hidden demand – unfulfilled potential**

Another important question arises as to where this unmet demand is likely to go. As social housing stock is unlikely to increase, and the waiting list eligibility criteria will be reviewed, how many of these households on the waiting list will remain as hidden demand (people who are waiting to form their independent household but are unable to afford do so due in the free market sector)? For example, young adults continuing to live with parents or other relatives are a typical example of hidden demand (Bramley et al 2010). The 2011 Bradford public perceptions survey provides empirical insight into how hidden demand has risen since the recession. By comparing household make-up data from the survey with data captured in the 2007 housing needs survey, it can be concluded that more young adults are now living with their parents (or grandparents) than in 2007. In 2007, there were 30,000 households (16 per cent) in which sons/daughters aged 18 or over were living with their parents (or grandparents); by 2011 this figure reached 45,000 (23 per cent) of households. Hidden demand has both social and economic implications. In Bradford, it is likely to be associated with overcrowding in the City Central sub-area. A continued shortage of new affordable developments will most certainly contribute to further overcrowding in the district, as will the changes to HB and LHA discussed in the next chapter.

The bedroom standard has also raised concerns such as placing older children of the opposite sex in the same bedroom, and the wider implications of overcrowding for health and education. The impact of overcrowding on children's physical and mental health, as well as educational attainment, has been discussed in the literature, but the evidence is not conclusive; other compounding factors, such as child poverty, also have an influence (see, for example, an independent review of evidence by DeMontford University, prepared for the ODPM in 2004). These wider social, educational and developmental impacts are outside the scope of this study, but since Bradford has a high rate of overcrowding, and low educational attainment, these effects warrant further study.

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<sup>26</sup> See <http://www.openmoves.co.uk/>

## 6. WELFARE REFORM AND HOUSING BENEFIT

### 6.1 Impact of welfare reform in Bradford

At the time of writing, the Welfare Reform Act has been estimated to take £15.5 million out of the local economy, the impact of which is felt in the most vulnerable households:

- LHA: -£7.95 million
- non-dependent changes: -£1.5 million
- localised council tax benefit: -£4.0 million
- over-accommodated in the RSL sector: -£2.15 million.

From an LA perspective, welfare reform has a high risk of negatively affecting a number of housing-related issues, which will result in a higher demand for responsive services such as rent collection and homelessness. Many of the concerns listed below are felt in the social sector, where HB is paid directly to the rent account. UC will change this situation, which is causing major concern among social landlords across the country, especially in relation to vulnerable tenants. The LHA experience may be informative in this context to understand some of the implications for social tenants. The main policy areas in which concerns have been raised include:

- homelessness
- rent arrears
- demand for social housing
- use of temporary accommodation (particularly families)
- parental evictions
- concentration of low-income LHA tenants in low-demand areas
- vacancy rates in the PRS
- financial deprivation.

The impact of the over-accommodation rule in the HA sector and the changes to the LHA in the PRS will be discussed below.

### 6.2 Over-accommodation in the housing association sector

The proposed changes to HB risk creating unnecessary vacancies across the north. One interviewee described this as ‘economic suicide’, given the work that has been put into reducing vacancies across the social housing stock since the introduction of stock transfers and arm’s length management organisations under the previous government.

The Department for Work and Pensions (DWP) has estimated that there are 70,000 over-accommodated tenancies in Yorkshire and the Humber (36 per cent). Interviews with representatives of the HA sector in the region suggest that the biggest impact will be felt by single people occupying two-bedroom flats. A significant number of such tenants may need to be rehoused to smaller accommodation on financial grounds, which would leave a large volume of two-bedroom flats in low-demand, high-rise developments.

Table 6.1 (over) shows that the highest volume of tenants in Bradford (1,610) falls into this category. While the 1,314 tenants who are entitled to two bedrooms and currently occupy three could in theory fill some of these vacancies, these changes will not happen quickly. There are not enough one-bedroom flats in the district to accommodate all single-person households. If all of these single-occupant HB clients were to downsize by moving into the PRS, this would have a major knock-on effect on LHA costs; rents in the PRS are higher than in the social sector.

**Table 6.1**  
Over-accommodation  
and number of  
bedrooms

		Bedrooms in current property					
		2	3	4	5	6	7
Bedrooms eligible under HB	1	1,610	820	46	3		
	2		1,314	97	8	3	
	3			170	30	3	
	4				38	4	
	5					3	1

Source: BMDC HB data August 2011

To illustrate the balance between overcrowdedness and over-accommodation in Bradford, it can be seen from table 6.2 below that 21 per cent of households (3,129) among the current HB recipients living in HA stock have one spare bedroom (over-accommodated), as opposed to 7 per cent (1,064) who are overcrowded. Six per cent of households are over-accommodated by two bedrooms, compared to 1 per cent that are overcrowded by two bedrooms.

**Table 6.2**  
HB and HA overcrowded  
(negative bedroom  
numbers) and 'over-  
accommodated'

Number of bedrooms	Number of households	% of households*
-3	39	0%
-2	204	1%
-1	1,064	7%
0	7,757	51%
1	3,129	21%
2	953	6%
3	58	0%
<b>Total</b>	<b>15,239</b>	<b>100%</b>

Source: BMDC data August 2011

\* 14 per cent of properties are unmatched.

### 6.3 The rise of the private rented sector and the local housing allowance

The number of HB clients overall has grown since the start of the recession, with particularly strong growth in the PRS. Overall, there has been a substantial increase of 27.6 per cent (8,981) in total HB claimants since 2008, but private sector tenants soared from 11,109 to 18,641 during the same period. This increase indicates that the private sector has absorbed most of the new HB clients since the recession – and that the cost of the local HB bill has risen sharply due to its share of the LHA.

From 2000 to 2011, the balance between private and social renting in the HB caseload shifted from 30/70 per cent to 45/55 per cent, respectively (see table 6.3 over). Therefore changes to the LHA will have far-reaching consequences not only for tenants, but for the PRS and the relationship between local councils (which have a duty to house people) and private landlords (who increasingly provide housing to vulnerable clients).

Nationally, the overall number of HB recipients housed in the PRS has grown threefold from just over 400,000 in November 2008 to nearly 1.3 million as of August 2011.<sup>27</sup> During this period the share of those in the PRS, as a proportion of all claimants, has grown from 9.8 per cent in 2008 to 26 per cent in August 2011, meaning that the growth of those in the PRS has outstripped the overall growth in HB clientele. DWP data also shows that Bradford has a significantly higher share of HB clients in the PRS than the country as a whole (45 per cent, compared with 26 per cent nationally).

The increase in the share of private sector clients in Bradford can probably be attributed to the substantial increase of people in ‘housing need’ (unable to afford to pay market rent or buy) as a result of the recession; the HA sector could not absorb these new clients as their stock is ‘static’ and at capacity. Indeed, one of the strengths of the PRS is its elasticity. As the number of vacancies in the social sector is low (only 1,210 in 2010) it is clear that not all of the new HB clients could have been offered a social tenancy. Interviews with housing officers suggest that clients have accepted a PRS tenancy as the only realistic option available, while they would often prefer to have a secure tenancy with a social landlord. The Localism Act has formalised this trend, in the sense that homeless clients must accept a private sector assured shorthold tenancy, whereas previously they could have opted to wait for a suitable social tenancy.

Local stakeholders suggest that the PRS has expanded in recent years partly as a result of the buy-to-let market. At the same time, the HA sector never fully replaced the capacity lost as a result of the RTB, especially in the more popular parts of the district. Moreover, stakeholders felt that there was more scope for the HB caseload to expand in the private sector, as there was already a much higher percentage of HA tenants in receipt of HB. However, some suggested that since the LHA scheme was more generous, it encouraged demand in the private sector, thus giving a market signal to prospective PRS landlords, as suggested in chapter 3.

It is also likely that some existing tenants in the PRS may have only entered the HB caseload recently as a result of the recession. This possibility is linked to the more widely observed growth of the PRS overall in England, due to affordability and credit constraints stifling home-ownership.

**Table 6.3**  
The split of the Bradford HB caseload between the RSL and private sectors

Total active HB claims		Private		RSL	
		Number	%	Number	%
Jun '00	34,503	10,198	29.56	24,305	70.44
Mar '01	28,960	8,175	28.23	20,785	71.77
Mar '02	27,997	7,554	26.98	20,443	73.02
Mar '03	29,065	8,153	28.05	20,912	71.95
Mar '04	29,136	8,116	27.86	21,020	72.14
Mar '05	30,453	8,823	28.97	21,630	71.03
Mar '06	30,179	8,781	29.10	21,398	70.90
Mar '07	32,230	10,133	31.44	22,097	68.56
Apr '08	32,568	11,109	34.11	21,459	65.89

<sup>27</sup> Source: Single Housing Benefit Extract, derived by DWP via ONS, November 2011



Apr '09	34,051	12,615	37.05	21,436	62.95
Apr '10	37,955	15,674	41.30	22,281	58.70
Apr '11	40,540	17,721	43.71	22,819	56.29
Sep '11	41,549	18,641	44.87	22,908	55.13

Source: BMDC HB data August 2011

## 6.4 Impact of local housing allowance changes

Since PRS rents are typically close to the level of social rents in Bradford, in most cases the changes to the LHA (see box below) have only a moderate impact, compared to the impact in areas like London. However, the socioeconomic makeup and dynamics of the local housing market have some characteristics that highlight particular concerns in Bradford, which are discussed below. Table 6.4 (over) provides a summary of the impact on different client groups.

### Local Housing Allowance before and after April 2011<sup>28</sup>

The LHA arrangements were rolled out nationally from 7 April 2008 and apply to people who are claiming HB for a property that is rented from a private landlord with an assured shorthold tenancy agreement. Local authorities use published LHA rates to calculate the tenant's maximum HB entitlement.

Until 1 April 2011, customers who chose to rent below their LHA rate could keep the excess up to a weekly limit of £15 per week.

In April 2011 the LHA arrangements changed so that:

- the maximum LHA rate is for a four-bedroom property instead of a five-bedroom property
- LHA weekly rates are capped at £250 for a one-bedroom property, £290 for a two-bedroom property, £340 for a three-bedroom property and £400 for a four-bedroom property
- LHA rates are set at the 30th percentile of rents in each broad rental market area, rather than the median
- customers can no longer receive the up to £15 weekly HB excess if their rent is below the LHA rate
- an additional bedroom is included within the size criteria if either the customer or partner is disabled or has a long-term health condition and has a proven need for overnight care that is provided by a non-resident carer.

### Shared room rate

In the Bradford context, the change to the LHA shared room rate will mean that many young people currently aged 25–35 who occupy a one-bedroom flat will have to move once the shared room rate age limit is increased to 35, as the average weekly reduction in allowance of over £28 will be too much to bear. At the time of the research there were more than 900 young households that will be affected by this change in Bradford. These changes are also likely to have a detrimental impact on the quality of the products on offer

<sup>28</sup> See <http://www.dwp.gov.uk/docs/lha-guidance-manual.pdf>

in the PRS. One likely outcome is that more low-quality HMOs will spring up, as the pace of change is fast and this market will likely be the quickest to respond to shifting demand. The other impact, already evidenced in the Bradford Perceptions Survey, is the increasing share of young adults living with their parents or grandparents (hidden demand).

### Change from median to 30th percentile rents

Changing the basis of the LHA from the median rent to the 30th percentile will only cause a small adjustment to the LHA rates paid in Bradford (averaging £5.81 per week). For example, the weekly rate for a one-bedroom property will change from £86 to £81. There are nearly 3,000 one-bedroom households in receipt of LHA facing this reduction. While this reduction is moderate, the accumulative effect of the reductions from the wider welfare reforms will add up.

### Restricting housing benefit to four bedrooms

Bradford has a high demand for large family homes, so limiting the LHA to four-bedroom homes will ultimately add to overcrowding – a problem that the district has worked hard to resolve. It is unlikely that families reliant on benefits would be able to make up the £23 per week shortfall.

**Table 6.4**  
Impact of LHA changes  
(as of autumn 2011)

Change	Number of citizens affected	Average weekly reduction per person	Estimated final annual reduction in HB across the district
LHA rate reduction to 30th percentile	11,813	£5.81	£3.57 million
Removal of LHA £15 excess	4,888	£9.95	£2.53 million
Restricting LHA to 4 bedrooms	117	£23.01	£139,992
A cap on the maximum paid for each bedroom	No impact: current LHA rates in Bradford are substantially below this level		
LHA shared room rate age increase from 25 to 35	913	£28.73	£1.36 million

Source: BMDC 2011

The assumption is often made that private landlords in an area such as Bradford would adjust their rents to reflect the lower LHA. If they do not, in many cases the tenant can probably meet the shortfall where the difference is only on average £6 per week. Even if the reduction in the level of LHA in Bradford (and in comparable areas) is small in comparison to areas with more buoyant markets, the fall in the rental yield could reduce already-low profit margins beyond the ‘pain threshold’ for landlords, especially considering the higher financial risk associated with some LHA clients. Furthermore, the stock affected in Bradford is disproportionately older: pre-1919 back-to-back terraced housing in the City Central sub-area. Lower rental yields can discourage landlords from investing in property improvements.

The impact of the shared room rate on the young population is particularly alarming, given the high level of youth unemployment and the lower levels of satisfaction shown by young people in Bradford, evidenced in the residents’ survey (see chapter 4). Vulnerable adults and the elderly will be protected at least in part from the changes, but young adults

generally will not. In light of the high youth unemployment in Bradford and low incomes, as well as the proposed further reduction in HB of 10 per cent after 12 months as an active job seeker, young workless people will face hardship in terms of accessing and paying for housing. Many of them will be required to move to shared accommodation from their single occupied flat – this could be HMOs or moving in with parents or grandparents. Such hidden demand in household growth is an unfulfilled potential for the individuals as well as the local economy.

As the growing population of Bradford is young, it would seem strategically important for public policy to help this group of people realise their potential, to improve their prospects and therefore enhance Bradford's economic future.

### 6.5 Preparing for the universal credit – the LHA experience

Estimates of the number of private landlords operating in Bradford fluctuate between 7,000 and 15,000. Their make-up is likely to reflect the national trend: most landlords are individuals or couples with just one or two properties. The PRS is varied and has been shaped by the recent housing bubble and lending behaviour, especially in the buy-to-let market. Some landlords are in a financially precarious position, with mortgages to service that were based on unrealistic estimates of rental yields. One stakeholder described parts of the sector as the 'Wild West'. In Bradford, some 60 per cent of PRS homes are non decent; professionalising the market is therefore a key policy priority. However, it would be unfair to tarnish the entire sector with the same brush, as there are also decent landlords who engage with the authorities and seek to maintain standards. While rogue landlords (see Shelter 2011) have been highlighted in policy debates, the issues that decent PRS landlords experience with problem tenants are not insignificant.

Concerns that UC would combine all benefit entitlements into a single payment emerged as an important theme in the case study. Landlords reported that LHA clients often represented a financial risk if they failed to pay rent or damaged the property; a widespread lack of financial management skills meant that this often happened. Indeed, some landlords felt that introducing the LHA (ending direct payment of HB to the landlord) has increased landlord risk – sometimes beyond an acceptable level – despite the bond guarantee scheme, which has made private renting accessible to people in housing need who lack sufficient financial resources to access the PRS independently. HB officers interviewed for this study often sympathised with the 'good' landlords, as they have witnessed how not all HB clients have the financial management skills required to keep up with rent payments.

The bond guarantee scheme is available for people who score high in the housing needs assessment but whose housing needs cannot be met from the social stock. They are referred to the private sector, and the LA provides the required deposit and rent guarantee for the landlord for a fixed period. However, as the LHA is paid directly to the tenant, anecdotal evidence from the landlords suggests that all too often, vulnerable tenants cannot keep up with rent payments to maintain their tenancy.

Landlords felt that despite the bond scheme, they bore all of the financial risk, and noted the lack of support to deal with problem tenants. They reported that they lacked a voice or a channel through which to engage with the authorities. There was a general feeling of disengagement and fragmentation within the sector, and private landlords reported a lack of support from the council 'when things go wrong' with LHA tenants. Problems inevitably result in eviction and the vicious cycle of homelessness, temporary accommodation

and unsustainable tenancies, which invariably mean extra costs for the landlord. Some evidence suggests that PRS landlords are in many cases reconsidering their willingness to continue to house HB clients.

LA representatives reported that they found sections of the PRS difficult to reach and engage, apart from those who want to be engaged. These findings echo those of the Rugg review (2008). This partial engagement on the part of the landlords can result in compliant landlords feeling ‘burdened’ and non-compliant ones escaping well-intended interventions. Historically, problems with HB – particularly the introduction of the LHA – have been the major triggers for interaction between the council and PRS landlords. This is understandable, as one landlord estimated that 70–75 per cent of their stock in Bradford is occupied by tenants in receipt of LHA.

It would make sense to improve the early intervention mechanisms to help vulnerable tenants who fall into arrears with a private landlord before they are evicted. Furthermore, PRS landlords who accommodate HB clients would benefit from a clear agreement of standards and expectations from all parties concerned (LA, PRS landlord, tenant). A landlord accreditation scheme was suggested by many stakeholders, including landlords and LA officers, as a potential solution to these ongoing issues. However, the ability to administer HB is a crucial bargaining chip for the LA.

## 6.6 Landlord accreditation scheme

The PRS should be influenced using a two-pronged approach of engagement and support on the one hand, and robust enforcement on the other. Shelter (2011) argued that LAs should work to ‘weed out’ rogue landlords. Existing legislation gives LAs the power to manage and target problem areas within the PRS. The Housing Act of 2004 introduced measures to tackle the worst abuses.

To proactively improve standards and transparency within the sector, a renewed attempt at an accreditation scheme would seem sensible, to improve the offer to landlords and tenants. Bradford council initiated a landlord accreditation scheme in 2003. After some initial interest, which was triggered by allowing accredited landlords to offer their properties through the CBL system, interest in the scheme has waned. One interviewee suggested that the focus of the scheme shifted from ‘improving standards’ to ‘compliance’ (with minimum physical standards) in the problem areas that have the lowest-quality privately let single brick, back-to-back terraced housing, in the Trident area of Bradford. The scheme also accredited individual properties (instead of landlords). One stakeholder described accrediting a landlord as giving them a *carte blanche*, suggesting a lack of trust.

Today, awareness of the scheme is very low: some officers working in the field of housing were not aware of it, and private landlords also showed little or no awareness of its existence. However, several stakeholders who work with or within the PRS maintained that an accreditation scheme was a potential solution to professionalising the sector and improving standards.

Bradford’s short-lived experience with an accreditation scheme shows that without a real incentive for landlords to sign up, it is not going to be successful. Stakeholders in Bradford believe that only linking the accreditation scheme to the HB/LHA would generate interest from the PRS (in other words, that an accredited landlord could receive HB/LHA directly). However, the onset of UC will complicate matters and will require careful policy thinking.

The London Landlords' scheme,<sup>29</sup> which functions in high-demand neighbourhoods, has seen some success and has been expanded to the south-east more widely. This scheme focuses on assessing private landlords' skills and offering them a route to becoming 'professional property managers'. The focus is therefore less on physical inspection, compliance and enforcement, and more on upskilling landlords and/or identifying gaps in their knowledge of the regulatory environment.

Research on the London Landlord accreditation scheme (GLA 2011) recommended that any expansion of the accreditation scheme should offer clear market advantages to landlords, for example LA services (which have been the subject of experimentation: access to advertising vacancies through CBL for example). Furthermore, a sustained marketing strategy is needed to robustly promote accreditation to both landlords and tenants. The research also highlighted that landlords do not currently report substantial benefits to their business from accreditation, and that, perhaps unsurprisingly, landlords are generally not supportive of mandatory registration or accreditation (which is in operation in Scotland). The London experience also suggests that cooperation between neighbouring local authorities with shared housing market areas is also beneficial, with the goal of developing a recognised 'brand' for accreditation within the wider housing market area.

There are also successful examples in low-demand areas, such as Blackpool.<sup>30</sup> Generally, landlords operating in low-demand areas would have an incentive to sign up for accreditation schemes if they can reduce their financial risk. Furthermore, the reportedly poor standard of service that some lettings agents provide to landlords and tenants should give landlords an incentive to sign up with an accreditation scheme, which would help them acquire tenants without using a letting agent.

West Yorkshire attempted to develop a sub-regional approach to landlord accreditation, but the effort ended up being a collage of local schemes, some more successful than others, mainly due to the variations in local housing markets.

The key messages for Bradford and the West Yorkshire sub-region in terms of a landlord accreditation scheme are increased collaboration, strong marketing, a recognisable brand and more focus on professional development for landlords, and a shift away from accrediting individual properties. Uniform codes of practice when housing HB/LHA clients would increase transparency and help empower private sector tenants by informing them about the standards and conduct that could be expected from landlords. Perhaps the most important features of a successful landlord accreditation scheme in Bradford would be for the policy to respond to landlords' concerns and help those who work to deliver on the standards required.

An accreditation scheme working with the HB sub-sector seems urgent, but the landlords involved should not be made to feel penalised for having to register and comply. Therefore they must be offered enough in return. Over and above the direct payment of HB, it would seem sensible to support decent standards in any future accreditation scheme, given the number of non-decent homes in the PRS. Here, policy innovation will be required to help landlords invest in improvements. Chapter 8 returns to this issue.

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29 See <http://www.londonlandlords.org.uk/portal/index/>.

30 See <http://www.blackpool.gov.uk/Services/A-F/AccreditationScheme/>.

## 7. WHAT DO BRADFORD RESIDENTS THINK?

This chapter presents evidence from two separate surveys conducted in Bradford. First, secondary analysis of the Bradford District perceptions survey, which highlights the different experiences of Bradford residents, including their satisfaction with their home and sense of belonging to the neighbourhood, according to tenure. Second, a bespoke opinion poll conducted as part of IPPR's review of housing in Bradford, the main purpose of which was to find out about people's housing aspirations in the district.

### 7.1 Bradford district perceptions survey

The overwhelming majority (88 per cent) of people living in the Bradford district describe themselves as satisfied with the overall condition of their property, including six in 10 who are very satisfied (58 per cent). However, while just one in 20 (5 per cent) are dissatisfied, this proportion is much higher among those who rent (11 per cent both socially and privately rented). In terms of attachment to the neighbourhood, the survey data reveals that residents' sense of belonging is weaker in the rented sectors, as shown in table 7.1.

**Table 7.1**  
How strongly do you feel you belong to your immediate neighbourhood? (%)

	Tenure		
	Owner occupied	Social rented	Private rented
Don't know	3	5	6
Very strongly	50	41	29
Fairly strongly	36	34	43
Not very strongly	7	13	12
Not at all strongly	4	7	10

Source: Bradford perceptions survey 2011

The survey also assesses whether people feel they can influence decisions in their area. Here, the numbers of people across all tenures who feel positive about their empowerment fell during the past year; by far the biggest drop was in the PRS (see table 7.2).

**Table 7.2**  
Do you agree or disagree that you can influence decisions affecting your local area?

Tenure	% agree	% change from previous year
Owner-occupied	37	(-7)
Rent from council	30	(-3)
Rent from HA	33	(-3)
Private renter	31	(-12)

Source: Bradford perceptions survey 2011

It is intuitive, perhaps, that owner-occupiers feel a stronger attachment to their neighbourhood. However, it is useful to bear in mind that the Bradford residents survey 2011 showed that the younger the age group, the less favourable their attitudes to overall satisfaction and sense of belonging were, as noted in the introduction to Bradford in chapter 4. This finding could, of course, reflect the fact that fewer and fewer young people can afford to buy a home, and some will undoubtedly struggle to rent a home independently, especially after the LHA changes come into effect regarding the shared room rate. In the current economic climate, it appears that young people's unemployment

is likely to constrain their housing options considerably, to the point of not being able to form an independent household at all. This state of affairs was evidenced in this survey, as 23 per cent of households included adult sons or daughters (up from 16 per cent in 2007). This trend is likely further to degrade young people's overall quality of life and satisfaction in the district.

## 7.2 IPPR and Bradford council housing aspirations survey

In order to gauge public opinion in the Bradford district, and to support the findings in this research, IPPR conducted an online survey about Bradford residents' housing aspirations. In addition to asking households about their aspirations, respondents were also asked about what market changes or policy interventions would be most effective in improving their housing options.

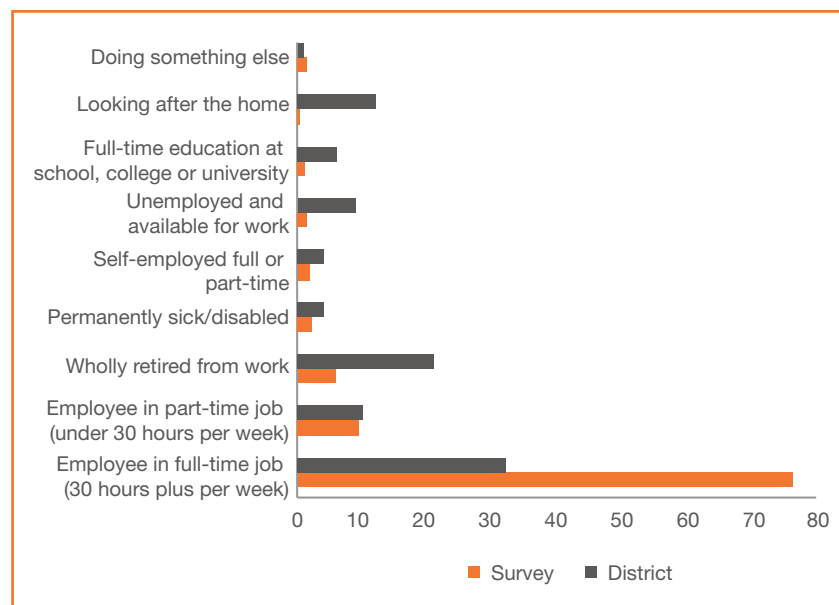
The survey was advertised in the *Telegraph & Argus* and *Yorkshire Post* and it was made available on the council's website, on any of the public access computers in the council's libraries, and on Unipol Bradford's website. In addition, it was placed on the council's intranet.

As it was not a random survey, it is not wholly representative of the population, thus the findings are not conclusive. Nevertheless, a total of 273 surveys were completed and returned during the consultation period, which ran from 16 December 2011 to 3 January 2012. The answers give a fair indication of respondents' housing aspirations now and in five years' time.

Overall, the respondents are under-representative of economically inactive people and older people compared to the overall district profile. Over-representation of mortgage holders and the PRS is useful, however, as it increases the number of respondents in the PRS category to provide a better idea of renters' aspirations in the private sector, which is important since this is a growing tenure in Bradford and nationally.

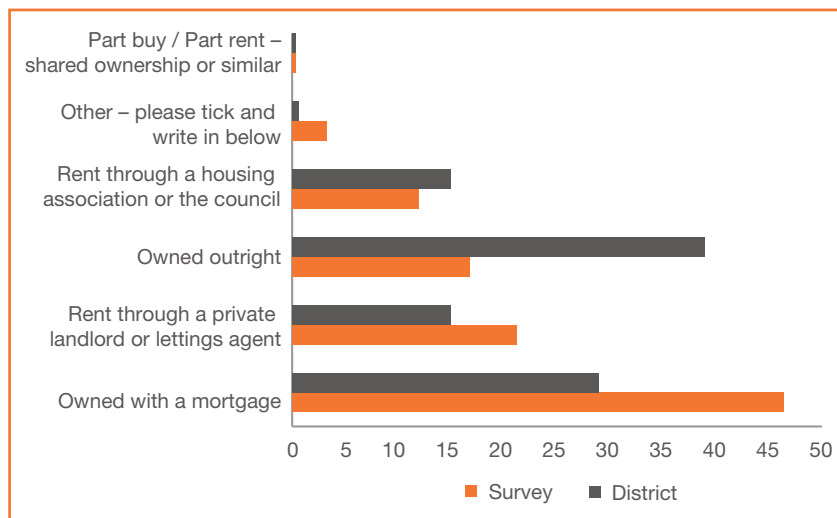
**Figure 7.1**

Which of these activities best describes what you are doing at present? (%)



Source: IPPR housing aspirations survey

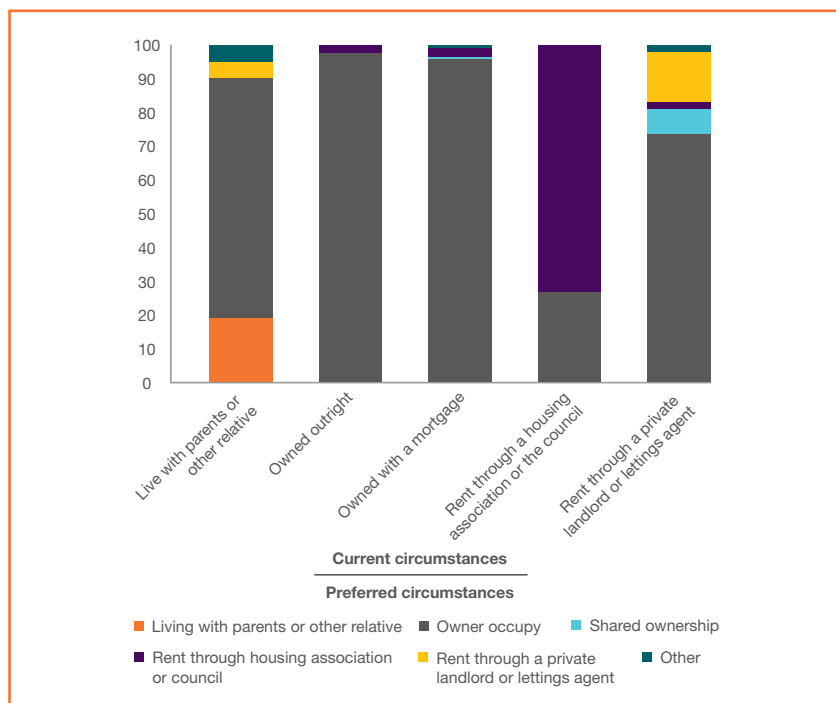
**Figure 7.2**  
Which of the following best describes your household circumstances? (%)



Source: IPPR housing aspirations survey

Figure 7.3 depicts the respondents' preferences in terms of their current tenure.

**Figure 7.3**  
How would you prefer to occupy where you live? (%)

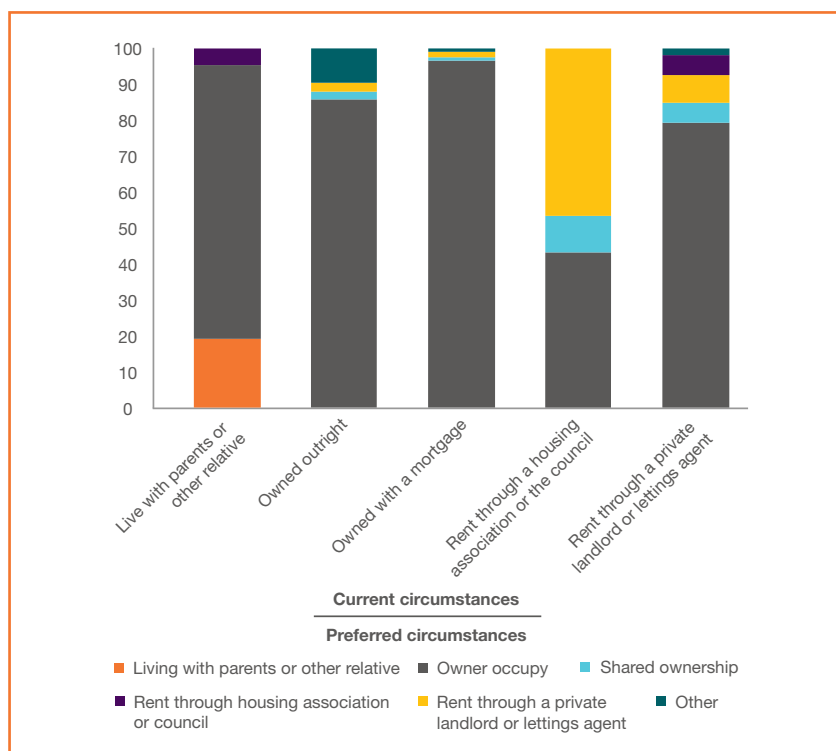


Source: IPPR housing aspirations survey

Most respondents' (82 per cent) preferred tenure was to own their own home. However, 73 per cent of respondents that currently rent through a HA or the council were happy in their current tenure. This figure compares with just 15 per cent of respondents who currently rent privately and prefer this tenure. It is striking that very few people *preferred* to live in the PRS; the numbers reduced even further when respondents were asked about their future preferences, reported in figure 7.4 (over).



**Figure 7.4**  
Thinking about the future, how would you most prefer to occupy where you live in five years' time? (%)



For those renting privately, there was a strong preference for future home-ownership, and a small swing towards renting through a HA. People were also asked how likely they think it is that they would be able to buy a house in five years.

Of those renting privately and aspiring to home-ownership, 64 per cent thought it was unlikely that they would be able to buy a home. Of those who lived with their parents or other relatives, 44 per cent thought they were unlikely to be able to buy a home. Of those renting socially, 92 per cent did not think they would be able to own their own home. However, it is useful to bear in mind that only half of current social renters aspired to home-ownership, which is significantly less than in the PRS, where almost 80 per cent wanted to own a house.

Respondents who thought it was unlikely that they would be able to buy a house within five years were asked what prevents them from achieving this aspiration. This was an open question and some of the responses are quoted below. In summary, just over one-third said that they were unable to save for a deposit, with a further 20 per cent explaining that their income was too low. A few respondents stated that they have had their home repossessed previously, and some specifically mentioned the government's HB policy on under-occupation, discussed in the previous chapter.

**'I cannot raise a deposit for a mortgage due to the cost of living and having no savings. However, if I could get a mortgage it would be cheaper than renting, so I could start to save.'**

**'House prices are too high, and the amount required for a deposit is such that it is unlikely I will be able to piece together the money for a deposit for several years, despite having saved for three years already.'**

**‘Saving for the deposit. Have been saving for a year now and it seems unattainable.’**

**‘In five years’ time I will still be trying to save the 10 per cent deposit needed for a mortgage. Expenses are rising but income is not.’**

**‘Mortgage payments mean we really struggle financially every month but would hate to rent as it feels like “dead money” to do that.’**

**‘We lost our home due to financial problems with my husband’s business, so although I am in a well-paid job I found myself at the age of 50 with no chance of ever owning a home again. My fear is that I may not be able to afford to rent a decent home when I get older.’**

**‘Government will force me out for under-occupying.’**

### **Improving housing options**

In this closed question, respondents were asked to rate a number of options according to whether they thought each option would help ‘a lot’, ‘a little’, ‘make no difference’, ‘make things worse’ or ‘don’t know’.

The responses were ranked<sup>31</sup> in order to show which interventions or changes people felt would make the most difference. Answers between home-owning and non-home-owning respondents were compared to identify any differences in opinion.

The most strongly supported options were ‘better salary’ and ‘secure employment’. This was followed by ‘cheaper house prices’ and ‘better access to mortgage finance for owner- occupiers and first-time buyers’. Owners and non-owners alike also thought, in general, that cheaper house prices would improve their housing options.

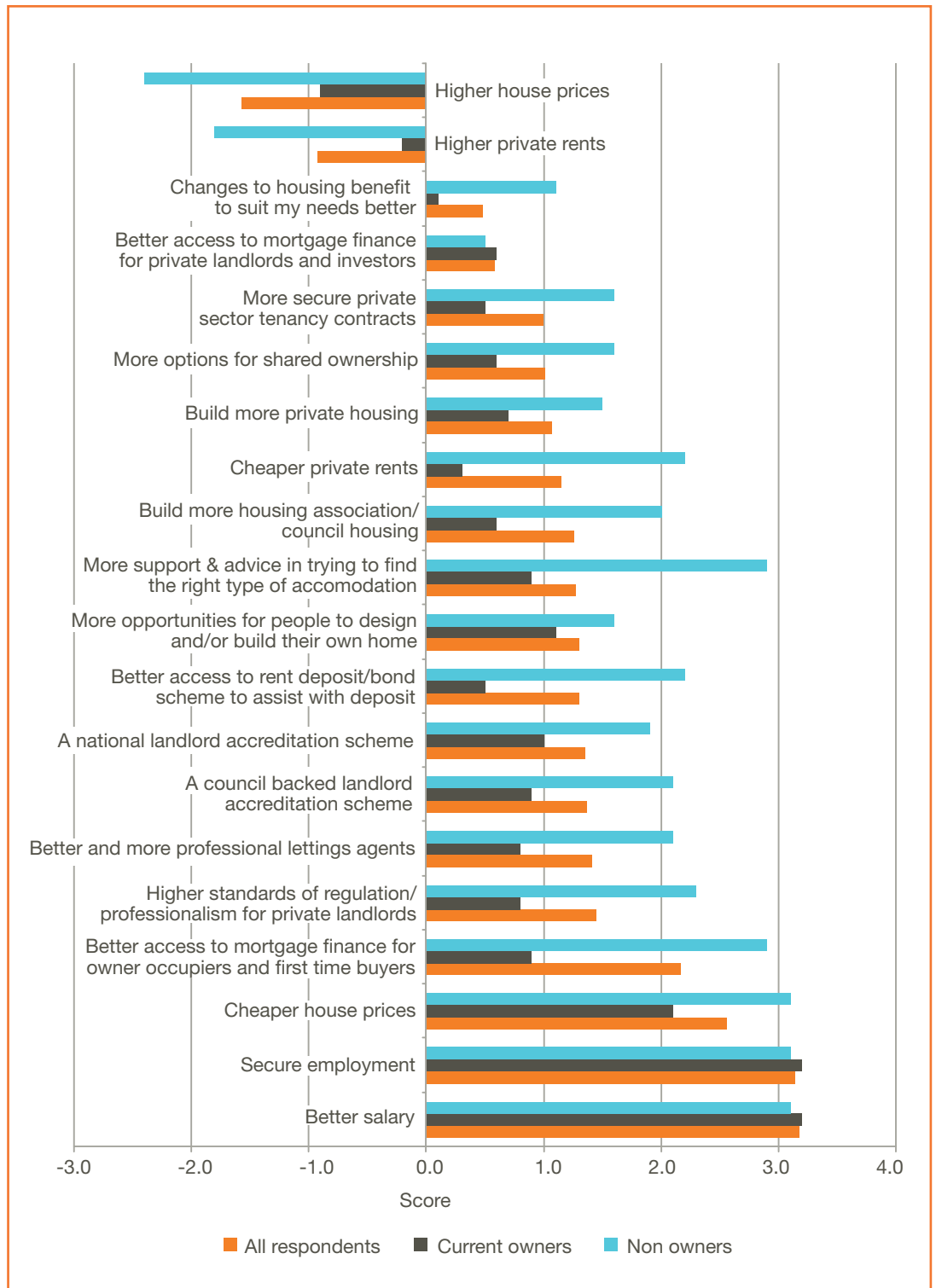
Non-owners also strongly supported ‘more support and advice in trying to find the right type of accommodation’, ‘higher standards of regulation for private landlords’, ‘better access to rent deposit/bond scheme to assist with a deposit’, ‘cheaper private rents’, ‘better and more professionalised lettings agents’, ‘a council backed landlord accreditation scheme’ and ‘build more HA/council housing’. The overall ranked results are shown in figure 7.5 (over).

### **7.3 Summary of the survey findings**

This opinion poll suggests that Bradford residents have a strong preference towards home-ownership. This preference was slightly less common among social renters, approximately half of whom would prefer to own or part-own their home; the other half would prefer to continue to rent socially in the future. Of those respondents who currently rented but aspired to home-ownership, most social renters and over half of private renters did not expect to own their own home within five years. The main reasons for this related to the unaffordability of housing discussed earlier in this report, including mortgage conditions and rising house prices. Respondents described high deposits and not having enough income as their main barriers. Secure employment and a better salary were seen as the most effective ways to improve housing options, followed by cheaper house prices and better access to mortgage finance.

<sup>31</sup> A score was allocated to each response and the average response calculated for each item: ‘a lot’ = 4, ‘a little’ = 2, ‘make no difference’ = 0 and ‘make things worse’ = -3. The maximum score for each item was 4 (ie all respondents chose ‘a lot’) and the minimum score was -3 (ie all respondents chose ‘make things worse’). A score of zero was neutral (on average, make things neither worse nor better).

**Figure 7.5**  
How much do you think each of the following would help you improve the housing options available to you personally?



The responses of Bradford's residents demonstrate the link between housing and the economy. Low wages and the rising unaffordability of housing (both owner-occupied and rented) discussed earlier affect people's opportunities and choices in ways that they are acutely aware of. Young households in particular experience a squeeze, as the proportion of adult sons and daughters living with parents/grandparents has increased from 16 to 23 per cent since the recession. In light of this evidence, increasing the affordable housing offer to help young people establish independent households seems important.

The results also suggest that a great proportion of current renters does not expect to be able to buy a home; therefore it is very likely that the PRS will continue to grow. It is perhaps unsurprising that the PRS was the least 'desirable' option in the sense that it only featured as the preferred future tenure for a very small number of respondents, mainly those who currently lived with parents or other relatives and a handful of those currently in the PRS. It is not a tenure of first choice at the moment, but, as seen from the most recent English Housing Survey, the vast majority of new households formed are in the PRS.

This gap between preference and realistic options is challenging for public policy. It highlights the need for public policy to improve standards in the PRS to make it a better destination for all the current and future households that – either through choice or necessity – will live in that tenure. More widely, the conclusions from the residents survey support the argument that Bradford's residential offer is closely linked to the economy. The macroeconomic circumstances of the recession and mortgage lending are largely beyond the means of local leadership to alter, but not wholly so. As the examples of the Greater Manchester pension fund and Manchester City council have shown, banks and building societies can be engaged locally to offer better affordable housing options. But the impact of such schemes (in Manchester this is 244 new properties) may be limited compared to the levels of need.

Addressing the income and skills gap between Bradford and the rest of the country should be a priority for Bradford council and its partners. The options around housing advice, landlord and letting agent regulation/accreditation and assistance with a bond scheme are easier to take forward locally and sub-regionally. That residents recognise the need to build more homes comes as no surprise, and increasing housing supply through new-build as well as tackling empty homes is rightly high on the council's agenda.

## 8. DISCUSSION AND REFLECTIONS FOR IPPR'S FUNDAMENTAL REVIEW OF HOUSING POLICY

### 8.1 Housing and the economy

The golden thread throughout this report has been the relationship between housing and the economy. In the Bradford context, the main set of opportunities and challenges are the combination of a young, growing and entrepreneurial population in a strongly performing city-region on the one hand, and significant obstacles to progress resulting from an industrial legacy (both in terms of housing and the local economy) on the other. Since the recession, a growing backlog of hidden demand in the district, mainly affecting young would-be households, is also an economic barrier.

The stark economic polarisation in Bradford is linked to the housing market, manifest in the concentrations of deprivation in certain pockets in the City Central sub-area and Keighley. These areas often have the worst housing situations in terms of stock condition, overcrowding and empty homes. The concentration of very low-income households means that housing in deprived areas is the least affordable for the local residents measured as a proportion of income, compared with residents in other parts of the district. Lessons from regeneration and area-based initiatives in the past have shown that such spatial patterns of disadvantage are difficult to shift, even if the built environment is improved.

Decent and affordable housing would be an important step towards reducing intergenerational inequality, as well as income inequality between communities. Furthermore, the local economic impact of affordable homes suggests that the value chain can have far-reaching impacts and support employment as well as other strategic policy goals, such as health and education. Given the nature of Bradford's housing legacy and the volume of pre-1919 and stone-built properties, the potential local economic impact of retrofits and property upgrades should also offer an opportunity for local skills and employment, with links to wider agendas such as carbon targets, fuel poverty and health.

Bradford's challenges of low wages, economic inactivity, youth unemployment, low skills and aspiration are apparent in the sub-regional wage gap that, from a Bradford perspective, is the wrong way around: those who commute to work in Bradford take away a higher salary than the resident population. This gap suggests that Bradford residents are not gaining enough from the functional economic area – the sub-region's housing and labour market opportunities. The challenge here concerns improving skills and aspiration, but access to affordable housing has an important role to play which often goes unrecognised.

In an era of localism, it is an important message to policymakers that housing is more than bricks and mortar; it is an expression of historic and economic legacies, and it fundamentally reflects the present socioeconomic dynamics and potential of a place. As its population growth is predicted to be strong, Bradford needs in the region of 2,700 new homes each year to meet the level of new household growth. Development peaked at about 2,100 units in 2007–2008, and since then, like elsewhere in the country, new additions to the stock are at a record low (700 last year). Securing new housing development in Bradford is crucial, but it is important to understand and analyse the nature of the housing need and demand both in terms of location and affordability. Bringing empty homes back into use can increase the supply of housing, and also contribute to regeneration and improving stock condition. Bradford offers an innovative example of using the government's NHB incentive in this respect.

## 8.2 Regeneration and housing development

Bradford council has shown a 'can-do' attitude by using its resources innovatively to secure economic development in the district. In the city centre, the council is working with the developer Westfield to secure a new shopping centre, which would create an estimated 2,000 jobs. This initiative is supported by a £17.6 million regional growth fund allocation, which is matched by the council. The development will also include a growth zone,<sup>32</sup> which offers a business rate concession in return for employment and training opportunities. Furthermore, the LA played a key role in securing the investment to go ahead with the Southgate development in the city centre – a mixed-use scheme that will incorporate Provident Financial's new headquarters.

The completion of 45 new affordable homes at Pavilion Gardens is noteworthy as it is the first LA build in the district in 30 years. A partnership between Bradford council and the HCA, the scheme is also a flagship for Sustainable Homes, with some of the houses attaining compliance with the highest level (level 6) of the code to qualify as 'zero carbon' homes.

It is clear that Bradford has shown leadership and an appetite for regeneration and increasing housing supply in the district. However, there are major challenges to be overcome, including inflated land values. Land values are also problematic from a political perspective, as a decline in land value would be reflected in house prices. Indeed, the long-term rise in land values has become part of the house price inflation experienced in the UK. It seems that in Bradford an adjustment in land values is unavoidable in the long run. In the meantime, LA-owned land could be made available for development to boost house-building, particularly residential lettings. Acting in the interest of the local area, the council could delay capital receipts from their investment to make the scheme generate the right rate of return for investors, but this is unlikely to be possible at current market rent levels, let alone at AR level.

In terms of increasing institutional investment into residential property, the industry has long called for tax concessions. However, beyond changing the stamp duty land tax for bulk purchases, it is not clear that the Treasury is committed to further measures. CLG's recent call for evidence (2012) is a welcome move in furthering the debate about institutional investment. Evidence from Bradford suggests that real estate investment trust reform would be helpful. Investors' low appetite for risk translates into negotiation with the public sector partner on issues such as commercial risk resulting from future voids. In this respect, there are lessons to be learnt from past private finance initiatives, in which commercial risk transfer was widely unsuccessful and represented bad value for taxpayers.

Another significant barrier to achieving institutional investment in residential property is the scale of development required. Here, collaboration between local authorities to build up the required number of units and spread the investment geographically would make sense. In terms of LA pension funds, a wider geographic spread would also mitigate any perceived conflict of interests related to investing 'in your own backyard', which may be a barrier to purely local schemes.

Bradford, like other local authorities, is unlikely to achieve its desired development outcomes in isolation. The government's rhetoric of 'localism' is therefore somewhat

32 See [http://www.bradford.gov.uk/bmdc/government\\_politics\\_and\\_public\\_administration/news/approval\\_sought\\_for\\_city\\_centre\\_growth\\_zone](http://www.bradford.gov.uk/bmdc/government_politics_and_public_administration/news/approval_sought_for_city_centre_growth_zone)

misleading. This research suggests that greater collaboration is needed sub-regionally and inter-regionally in housing strategy and policy, and local leadership needs to form strategy beyond administrative and political boundaries.

### 8.3 Welfare reform

Bradford will be affected by welfare reform – approximately £15.5 million will be taken out of the local economy, mainly from households on low incomes. Here lie the most significant risks in terms of the impact of welfare reform. Without the prospect of increased income through employment, under-35s reliant on LHA face a £29 cut per week, which many will struggle to meet. This could destroy the opportunity to live in an independent household that they have already established. In most cases they will either have to move in with parents or grandparents (a trend already on the increase, with 23 per cent of households having a son/daughter over the age of 18 in 2011) or move into an HMO – the latter can have a detrimental effect on the quality of the rental offer in Bradford.

The PRS HB sub-sector has grown in Bradford by 70 per cent since 2008. As a proportion of all HB recipients, LHA recipients now stand at 45 per cent in the district, compared with 26 per cent nationally. Therefore, what happens to the LHA has an amplified impact in Bradford. The restriction to four bedrooms will also result in a significant drop in weekly income of £23 to be borne by large families with children. This shift seems counterintuitive, given the work that has been done in Bradford to reduce overcrowding in recent years. Child poverty, educational attainment and aspiration are fundamental issues that are linked to the district's current economic performance, which should be taken into consideration when considering the impacts of welfare reform.

While the average weekly reduction of fixing the LHA to the 30th percentile only equates to approximately £6 per week for many – which, compared with the parallel case study of London, does seem modest – the accumulated impact of other benefit cuts will add up to much more for families. In Bradford, the LHA reforms have a relatively small impact on the private rental market in terms of rents and affordability, with the exception of the two client groups discussed above. However, the forthcoming UC is likely to present a major challenge not only in the PRS but also in the HA sector.

UC, as it currently stands, will strip the LA of its key bargaining chip, which it could use to influence the PRS HB sub-market. This development seems counterproductive, given the size of the PRS HB sub-market in areas such as Bradford and its likely growing importance in the future elsewhere. Local authorities with significant industrial housing legacies and high rates of non-decency should retain this public policy instrument to steer the market. HB is one of the most powerful and effective ways to engage and influence the PRS HB sub-market.

In terms of the HA sector, the rolling of HB into the UC is likely to increase arrears and add to the workload of rent collection and, in the worst-case scenario, homelessness and temporary accommodation. HAs are likely to face an increased workload as a result, at a time when their rental income faces a significant risk in terms of the benefit cuts imposed on 'over-accommodated' social tenants. The evidence from Bradford shows that 21 per cent of households are over-accommodated by one bedroom, as opposed to 7 per cent of households that are under-accommodated by one bedroom. The risk of creating vacancies in hard-to-let stock affects the HA sector across the north and could have a serious detrimental impact on HAs' finances.

If tenants have to downsize, the damaging economic impact of vacancies would outweigh the savings gained from reduced HB payments. There is also a question of where the over-accommodated single people would move. If they found properties in the PRS, this would have a knock-on effect on the LHA/HB bill. Overall, the demographic trend in the UK is towards more and more people living in single-person households for significant parts of their lives. It is unrealistic to assume that the residential offer in any sector, rented or owner-occupied, could reflect these changes with a speed to match policymaking such as the most recent decision about over-accommodation in the social rented sector. It is rather that policy needs to consider the realities of the housing market and the demographic and socioeconomic circumstances.

Bradford council's innovative solutions to make better use of stock demonstrate the potential effectiveness of public policy. The Move to Improve scheme has made better use of HA-adapted stock at a remarkably low cost of £450 per move. Furthermore, a knowledge transfer partnership between Incommunities and Bradford University is developing a service in which HA-adapted stock could tap into the existing owner-occupying market, which is an area of growing importance as the population ages. Bradford's successes in tackling empty homes also contribute to better stock use.

Overall, the evidence on welfare reform suggests that a much more locally aware understanding of the economic impact of housing policy in different parts of the country is needed to avoid the economic suicide that some stakeholders predicted in this case study. The policy response should focus on greater flexibility and local control, which are justified in light of the local housing market conditions.

#### 8.4 Decency

The high rate of non-decency in Bradford's housing stock, especially in the PRS, is an economic, social and environmental problem. This issue will be exacerbated as energy prices rise, affecting low-income households disproportionately, since energy bills represent a larger share of their disposable income. Lower-than-average wages in Bradford, and high rates of economic inactivity, make its population vulnerable to fuel poverty. In this respect, the PRS is a key policy area in Bradford. The district's pre-1919, poor-quality terraced housing is disproportionately represented in the PRS. During the most recent housing boom, the expansion of the buy-to-let market resulted in an influx of speculative landlords. The non-decency rate of 60 per cent is unacceptable, given that the sector is very likely to become even more prominent in the HB 'sub-market', in which tenants have little or no choice about their housing. The council should urgently strike a deal with the PRS to achieve decency in privately rented homes, a policy area that the House of Commons CLG Committee on Decent Homes (2010) has considered a failure so far. As mentioned in the section on the economy, retrofits and property upgrades should also have a positive multiplier effect in the local economy, as well as contribute towards other strategic policy areas, such as skills, employment and low carbon. The local economic stimuli offered by the Decent Homes capital programme in the social sector have been widely documented: the next policy challenge is to bring the PRS to a decent standard too.

There is an acute need for a market mechanism to finance decency in the PRS. The government's green deal is one such example, in which energy efficiency improvements financed with a loan are paid back in future energy savings. There is a strong case to be made for a similar 'decent deal' for the PRS, particularly where HB clients are concerned.



The investment required to improve the stock condition is unlikely to be in the form of gap funding by the government, and local authorities everywhere are strapped for cash. However, local government is the right body to act in this regard, as it has the required sense and stewardship of place. Local government leadership is also appropriate in the spirit of localism and in understanding that different places have hugely different housing market conditions. However, it is likely that some policy intervention would be required from Whitehall; therefore a market mechanism is needed to improve decency in the PRS. Such a mechanism, which could facilitate access to low-cost borrowing for landlords, especially those operating in the HB sub-market, should be tied in with a landlord accreditation scheme. The HCA should consult with Whitehall, local authorities, private landlords and the banking sector to develop a policy to address decency in the PRS. Given that 75 per cent of landlords are individuals or couples, the majority with less than five properties, the priority should be to create a package that suits this type of landlord. Any decency programme should be backed up with a robust enforcement regime for non-compliant landlords, making the most of existing regulation.

### 8.5 Landlord accreditation

The range of landlords in Bradford varies from professional companies with large property portfolios to speculative individuals who bought in the boom years during the expansion of the buy-to-let market. Some of the latter are inexperienced, some are in a financially precarious position, and a small proportion entered the market with the intention of exploiting tenants. Sector representatives interviewed as part of the case study, as well as professionals who have worked with the PRS, expressed support for an improved version of the landlord accreditation scheme in Bradford.

Any landlord accreditation scheme would need to offer landlords real advantages for it to be meaningful. Policy development should respond to the sector's problems in order to generate support. Apart from the practical support that can be offered at the local level, landlord engagement opens up the question of whether the HB element should be separated from the UC to allow greater local flexibility to influence this key area of the housing market, which underpins the local economy.

Furthermore, the evidence from this case study suggests that an accreditation scheme should include a clearly articulated concordat between the landlord and the LA, which includes an early intervention pathway to prevent issues with vulnerable tenants from escalating. As the Localism Act will increase the number of homeless people being housed in the PRS, a clear mechanism should be put in place to support landlords and tenants alike.

The experience of landlord accreditation in London shows that promoting uniform standards across LA boundaries in the wider housing market area is beneficial. Within West Yorkshire or the wider Leeds city-region, such a scheme would increase transparency and professionalise the highly variegated PRS.

## 9. CONCLUSIONS AND RECOMMENDATIONS

### Recommendation 1: Localise housing benefit

Since housing is a key part of the local economy, HB reform needs local intelligence and local economic impact assessment. Discretion should be allowed to avoid unnecessary detrimental impact, particularly in relation to:

- shared room rate (under 35s): high youth unemployment in the recession means this age group is economically vulnerable
- over-accommodation in the HA sector: this rule risks creating unnecessary vacancies and decreasing rental revenue; there are unlikely to be enough smaller flats in the market to allow individuals to downsize
- limiting LHA to four bedrooms: the combination of high overcrowding with a lack of availability in the social rented sector means this is likely to affect children.

Localising HB and leaving it out of the UC would also give local authorities a powerful bargaining chip with which to steer the PRS market, related to recommendation 2.

### Recommendation 2: 'Something for something' dealmaking with the private rented sector

Seventy-five per cent of UK landlords are private individuals or couples. Alongside continued efforts at enforcement, support to and engagement with the sector cannot wait. For local authorities the key issues are decent standards, professionalising the market and the increasing number of HB clients in the PRS, including those housed under the homelessness duty.

- Areas of high HB dependency and poor stock condition should be considered a special case for policy intervention.
- A partnership between the HCA, local government, the PRS and the banking sector should develop policy to offer a financial package (a 'decent deal') to improve stock condition in the PRS, which should be incorporated into a landlord accreditation scheme.
- Develop and market a sub-regional landlord accreditation scheme that operates across the wider economic and housing market area to increase visibility and transparency in the PRS and clarify private sector tenants' and landlords' rights and responsibilities. Such a scheme should also focus on professional development for landlords and move away from accrediting individual properties.
- Among the benefits to the private landlord of accreditation would be a concordat with the local authority to intervene if HB tenants struggle to pay their rent.

### Recommendation 3: Securing residential development

There is a wide consensus that the UK housing market would benefit from increased institutional investment in residential development. Some barriers, such as relaxing the tax regime for investors, remain in the hands of the Treasury, but evidence from Bradford suggests that this would significantly help encourage development in an area of low investor confidence. Apart from fiscal measures, progress can be made locally in a number of areas, including:

- local authorities joining forces to create the right scale of development to attract investment
- inter-regional partnerships to negate perceived conflicts of interest in local government pension fund investment
- deferred capital gains through equity stakes in LA land that is made available for development

- partnering with local banks and building societies to develop financial products to boost demand
- local government upskilling on commercial risk transfer and governance, as developers are likely to seek to leverage the future cost of vacancies on the public sector partner.

#### **Recommendation 4: Solid local plans to guide development**

The era of localism and austerity places more demands on local leadership in the absence of central and regional frameworks, targets and resources. The Localism Act and the NPPF make it clear that robust local plans are required, and such plans can also help build investor confidence, which has been affected by the disruption to the planning system as well as the recession. Furthermore, the removal of section 106 requirements and the introduction of the community infrastructure levy create uncertainty about the future of affordable homes delivery: local plans need to take this into consideration. Local planning authorities should:

- communicate a clear commitment to affordable homes through the local plan
- engage stakeholders beyond the administrative boundary at the sub-regional level to build a coherent spatial approach to economic development policy across the housing and labour market areas
- invest in the organisational capability to analyse and monitor housing markets and spatial strategies that will be needed to underpin robust strategic planning and development decisions.

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