

60-SECOND SUMMARY

CONTEXT

England is in the midst of a housing crisis. In 67 per cent of local authorities, insufficient houses were built to meet demand in 2015/16 (DCLG 2016; DCLG 2017). Across England, of the 265,936 houses that are needed, just 189,650 new dwellings (71 per cent) were provided. While other factors, such as money supply, play their part, this is impacting on the affordability of housing. House prices have risen by 76 per cent since 1995, far outstripping inflation (ONS 2017).

Against this backdrop, the nature of affordable housing has changed in recent years. The range of products available has increased – including models for rent, ownership and intermediate housing – and these have become increasingly divorced from earnings, and linked to market prices or rents instead.

The recent election of mayors in several regions of the UK could have a key impact in delivering the housing that's needed, at the right price and in a manner that works for local areas. This briefing paper examines four of these areas – the west of England, the West Midlands, Greater Manchester, and Tees Valley – and finds that affordable housing delivery is falling well behind that which is needed in three of the four. In many, the affordable housing products designed to provide support for housing costs are failing to meet the needs of those on the lowest incomes.

In this context, a number of recommendations are put forward set around a stronger approach to affordable housing at a national level, including a clear measure of affordability, and the devolution of greater powers to mayors to deliver the housing their regions need.

KEY FINDINGS

- New additions to dwelling stock are failing to meet housing need. As a result, of the 265,936 homes that are needed, just 189,650 were added to dwelling stock in 2015/16. Focussing on the areas examined in this paper, in only Tees Valley does house-building meet estimates of need. The west of England would need to build an additional 1,060 homes a year, and the West Midlands 2,812. This imbalance between

RECOMMENDATIONS

Government should take a stronger approach to affordable housing at a national level, ensuring that a threshold of 35 per cent for affordable housing is applied to all private developments, with a higher threshold of 50 per cent on all public land, in line with the approach adopted by the Mayor of London.

- The Government should support a large-scale council house building programme by removing the arbitrary cap placed on borrowing through the Housing Revenue Account (HRA).
- Greater powers should be devolved to mayors to deliver the housing their regions need. In the first instance, this should create a clear and consistent framework for the devolution of housing and planning powers and apply these equally across the country. In the longer term, mayors should gain a range of new powers, including greater flexibility in the pooling and coordination of housing funding streams
- A universally understood and clear measure of affordability should be developed, linked to earnings, and applied transparently for every

supply and need is greatest in Greater Manchester, which misses its target by 42 per cent or 4,518 homes.

- Affordable housing provision is falling short in 92 per cent of local authorities. In the four combined authorities highlighted in this briefing, no area is providing the number of affordable homes their populations need as suggested by the government's new housing targets.
- House prices are out of the reach of many on average incomes. Median monthly rents do not become affordable, using the 35 per cent of net monthly income measure, until the 80th income percentile in the west of England, the 40th in the West Midlands and Greater Manchester, and the 25th in Tees valley.
- Analysis of the affordability of different housing products shows that across combined authorities many models are out of the reach of single people. This is most acute in the west of England where house prices and median rents are highest, but is a problem across all four areas – even the Tees Valley which has house prices notably lower than the English average. Dual-earning couples, even those with lower quartile earnings, can afford most models in most areas. However, when this income is diminished by the removal of a full-time earning as in the case of couples with one child (1x FTE and 1x PTE), a much larger range of models become out of reach, particularly for those on lower incomes.



affordable housing product – with the development of an affordability matrix that sets out when each housing product becomes affordable.

- Subsidy should be targeted at those products that are clearly affordable, and it should be withdrawn from products that do not meet the need of those they are designed to assist.
- Mayors should establish combined authority-wide Mayoral Housing Companies, using them to bring land to market for social and affordable rent and using mechanisms to capture public value from the land.
- Local authorities and local authority pension funds should work together to combine their land and investment to build affordable housing.
- The government and mayors should consider how new and innovative products and delivery models might contribute to meeting affordable housing need. This should include the reform of compulsory purchase orders to enable the purchase of land at a lower value and the funding of affordable housing at lower costs.

The progressive policy think tank

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