



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Communities and Local Government

Housing in England: overview

Key facts

23.5m

total number of homes
in England in 2015

£28bn

estimated total public
sector spending on
housing in 2015-16

1m

the number of new homes
that the government aims
to deliver in 2015-2020

£5.6 trillion	estimated total value of the housing stock in England in 2015
£1 trillion	estimated increase in the value of the housing stock in England since 2010
62%	of homes in England that are owner-occupied
20%	of homes in England that are privately rented
17%	of homes in England that are socially rented
20%	of homes in England that were 'non-decent' in 2014, down from 35% in 2006
71,500	number of homeless households in England in temporary accommodation at 31 March 2016
£20.9 billion	spending in England on housing benefit in 2015-16

Summary

1 Housing is one of the government's key priorities. For many people, the availability and affordability of housing has become increasingly difficult in recent years. With its housing policies, the Department for Communities and Local Government (the Department) is seeking to address the supply and affordability of housing in England. The government has two strategic housing objectives for this Parliament: driving up housing supply, with the ambition of delivering a million new homes over the next five years, and increasing home ownership. These objectives are supported by a range of interlocking programmes; the government intends to publish a Housing white paper setting out a package of reforms to increase housing supply and halt the decline in housing affordability in early 2017.

2 Government involvement in housing encompasses a diverse array of organisations, individuals, and activities:

- **departments** – housing policy overall is led by the Department, but with a range of other departments involved, including HM Treasury and the Department for Work & Pensions;
- **different organisations and individuals** – including housing developers, building contractors, mortgage lenders, local authorities, housing associations, landlords, owner-occupiers, private renters and those in the social rented sector; and
- **interventions** – including:
 - regulation, such as planning;
 - grant funding, such as part-funding housing associations' building of new homes; and
 - loans such as Help to Buy Equity Loans.

Our report

3 This report is designed to provide an overview of the housing market in England, the overall, cross-cutting public policy landscape, and the Department's housing strategy. We have not assessed the merits of the government's objectives or the value for money of any individual programme supporting these objectives. We do, however, comment on the ability of the government to achieve its ambition of delivering one million new homes. In addition, we seek to provide clear information on the housing landscape and the Department's housing objectives. We aim for this report to lead to future studies that focus on particular aspects of housing policy, building on the work that we, and the Committee of Public Accounts, have carried out on the implementation of housing-related policies in recent years.

4 Our report refers to housing in England. Where we refer to the UK overall, this is due to the availability of data.

5 This report has three parts:

- Part One examines key trends in housing.
- Part Two provides an overview of the public policy landscape.
- Part Three sets out the Department's housing policies for this Parliament.

Key findings

Characteristics of the housing market

6 Housebuilding in England has not kept pace with need, particularly in London. Since the 1980s, demand for housing in England has increased. Housebuilding, however, has not kept pace with demand. Public sector housebuilding has fallen and the number of homes added by the private sector has been vulnerable to both economic recessions and the cost of finance to potential homeowners. Between 2001 and 2010, an average of 144,000 new homes were completed annually: 100,000 fewer per year than in the 1970s. For housebuilding to match future need, it must increase in most parts of the country; this is particularly acute in London. Projections suggest that at least 227,000 new households will be formed each year between 2011 and 2021. This is substantially higher than the annual average of 166,000 extra homes in England over the last 10 years (paragraphs 1.9 to 1.11 and Figures 4 and 5).

7 Over recent decades, there has been an increase in home ownership and the number of private rented homes, but a reduction in social rented homes. Since 1981, the number of owner-occupied homes in England has increased from almost 10.5 million in 1981 to 14.7 million in 2015. In 2015, there were almost 5 million private rented homes, up from 2 million in 1981. In contrast, the number of local authority and housing association homes for rent has fallen, from 5.5 million in 1981 to 4 million in 2015 (paragraph 1.8 and Figure 3).

8 The quality of housing in England has improved in recent years. In 2001, the Department set out a definition of a decent home. By April 2013 there were approximately 1.1 million fewer non-decent social rented homes than when this standard was introduced. Around a third of homes in the private rented sector are non-decent, compared with 14% in the social rented sector (paragraph 1.7).

Affordability

9 For existing homeowners, housing has become more affordable in recent years, but for first-time buyers it has become less affordable. Since 2008, the proportion of owner-occupiers who spend at least a quarter of their disposable income on housing has halved, falling from 40% to 19% of people with a mortgage. Today, first-time buyers pay deposits of 21% on average, compared with 13% in 1990. The amount that first-time buyers have to borrow to buy their first home has risen from 2.3 times average income in 2000 to 3.2 times income in 2014 (paragraphs 1.12 to 1.13 and Figures 6 and 7).

10 Since 2006, the cost of private rented accommodation has broadly followed changes in earnings across England. The opposite has been the case in London, where private rents rose by 32% and average earnings increased by 16% (paragraph 1.14 and Figure 8).

11 Social housing rents have increased faster than earnings since 2001-02. Since 2011, the government has allowed local authority and housing association landlords to set rents at affordable levels, which it defines as up to 80% of local market rates. In 2014-15, new tenants paying affordable rents in London typically paid 60% more than new tenants paying traditional social rents (paragraphs 1.16 to 1.19 and Figure 9).

12 There is substantial regional variation in the housing market across England, and it is growing. The price of a semi-detached house in London and parts of the south east is typically several times higher than in Yorkshire and the Humber, the North East and North West. The gap between prices in London and the country as a whole has widened in recent decades (paragraph 1.2 and Figure 2).

Homelessness

13 Homelessness has increased in recent years, although it has not reached the peak seen in 2003-04. At the end of March 2016, 71,500 homeless households in England were in temporary accommodation, up from around 48,000 in 2010-11. Numbers remain below the peak of 2004-05, when 101,000 households were in temporary accommodation. Local authority gross expenditure on temporary accommodation has risen by 46% in real terms since 2010-11 (paragraphs 1.20, 1.21 and Figure 10).

How the government manages housing policy in England

14 Total estimated government spending on housing in England was approximately £28 billion in 2015-16. The most significant element is housing benefit. In 2015-16, there were 4.1 million claimants in England, costing around £20.9 billion (paragraphs 2.17, 2.18 and Figures 12 and 13).

15 There is potential for government housing policies to have conflicting objectives. Various public bodies have responsibilities for housing, often using housing as a means of achieving other objectives. Also, changes made in one area of housing policy can impact on other areas. This can lead to tensions in delivery. For example, in July 2015, the government announced a reduction in the rents housing associations and local authorities could charge of 1% per year. This reduced the ability of housing associations to finance the construction of new housing (paragraphs 2.20 to 2.24).

The Department's housing objectives

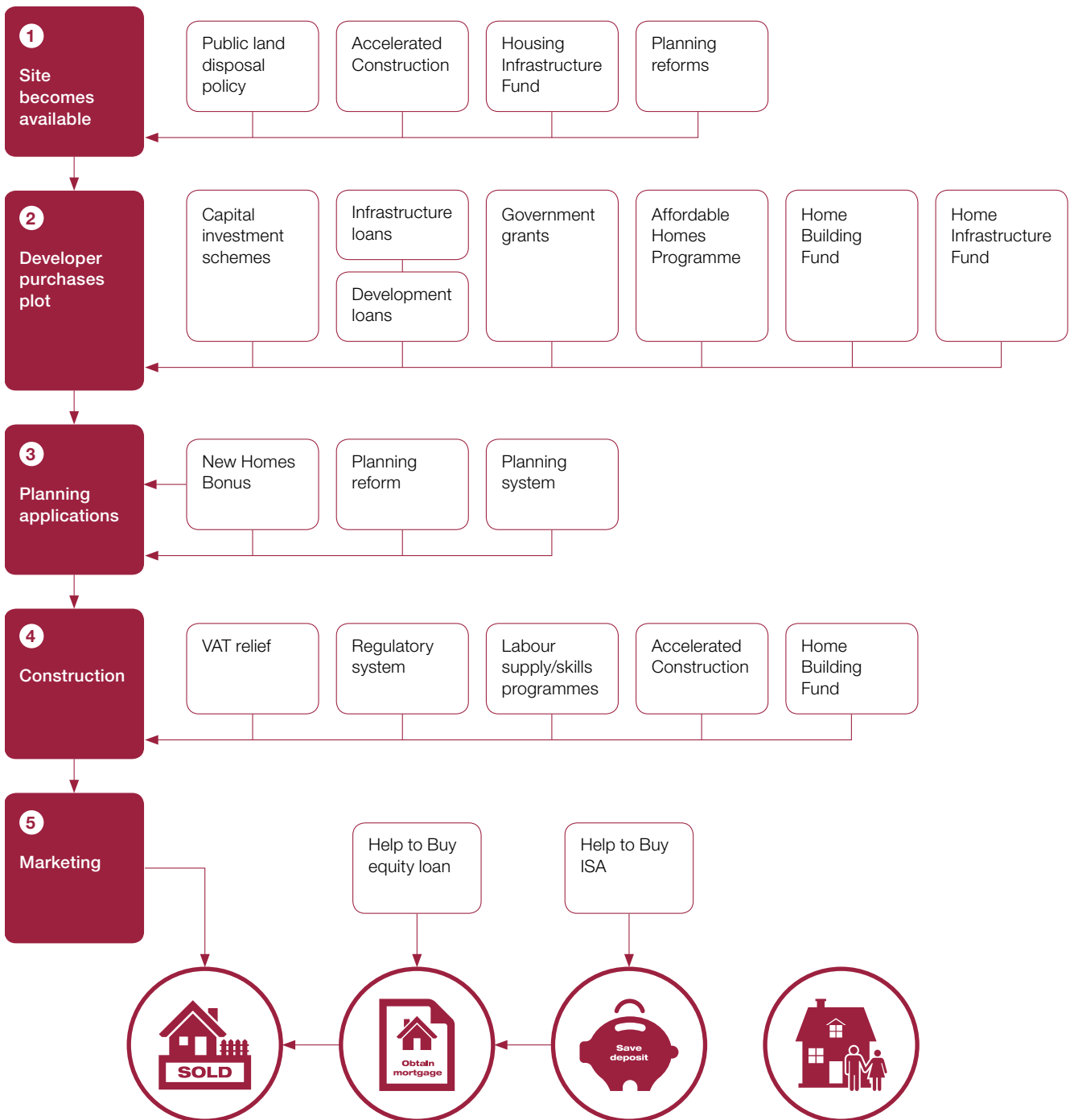
16 Two of the Department's four strategic objectives for this Parliament relate to housing: increasing supply and increasing home ownership. The Department's approach to housing for this Parliament aims to tackle the inability of housing supply to keep pace with need, and the lack of affordability of owner-occupation. The former objective is supported by the Department's ambition of delivering a million new homes in England by 2020. The Department intends to publish a Housing white paper setting out a package of reforms to increase housing supply and halt the decline in housing affordability in early 2017 (paragraphs 3.2 and 3.3).

17 Delivery of the Department's housing ambition is supported by a wide and complex assortment of programmes. As Figure 1 demonstrates, these operate at each stage of the housebuilding cycle between planning and occupation, and are designed particularly to encourage the private sector to build homes. At the heart of the Department's current housing ambition are the Affordable Homes Programme, Help to Buy Equity Loans, the Home Building Fund, Accelerated Construction, and the Housing Infrastructure Fund (paragraphs 3.4 to 3.18 and Figures 14 and 15).

18 The Department's objective of delivering a million new homes by 2020 does not require a substantial change in the number of homes delivered in England each year. The Department measures new homes as net additions: this is not solely newly-built homes, but also includes converted properties. Delivery of the government's one million new homes objective by 2020 will require 174,000 net additions each year. This is dependent on wider economic conditions, and is greater than the number of homes built immediately following the 2008 recession. However, it is also lower than in 2015-16, when approximately 190,000 homes were added to the stock in England. The Department has not published the timescales for the delivery of this objective (paragraphs 3.20 and 3.21).

Figure 1

Government support at key stages of the housebuilding and purchasing process



Note

1 Numbered steps depict key phases between land being put on the market and a home being built and purchased. The measures associated with each phase are designed to provide financial incentives to developers to accelerate their building plans, or help overcome the barriers they might face in doing so.

19 It is not yet clear what impact the result of the referendum on Britain's membership of the European Union will have on the Department's housing objectives. The Department is reliant on the market to achieve its housing objectives. Prior to the result of the referendum, there were indications that housing market activity in England was slowing. A reduction in the rate of housebuilding could affect the delivery of one million new homes, as well as the government's ability to increase the number of new homeowners. Despite early indications of a slowdown immediately after the referendum result, more recent evidence points to modest increases in numbers of sales being agreed in England. Due to the volatility of housing market indicators it will be some time before the longer-term impacts of the referendum decision are known (paragraphs 3.22 to 3.25 and Figure 17).

Conclusion

20 The need for housing in England has in recent years grown faster than its supply. To keep up, housebuilding needs to increase across the country, and undergo a step change in London. Housing has become more affordable for existing homeowners. In contrast, social rents have risen faster than wages, as have private rents in London. Housing is less affordable for a first-time buyer now than it was in the 1990s. Homelessness has also increased over the past five years.

21 Housing is a key priority for the government, and it has responded to the housing situation in England by putting in place a range of policies designed to increase the supply of housing and to increase home ownership, largely through support to private housebuilders. At the centre of the government's plans is its ambition of adding one million new homes by 2020, achievement of which does not require there to be a substantial increase in current levels of housebuilding.