

# The Pro-housing Alliance

  

# Recommendations for the Reform of UK Housing Policy

August 2011

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# Pro-housing Alliance

## National Housing Policy Statement

*The health of the people is really the foundation upon which all their happiness and all their powers as a state depend (Disraeli)*

*Everyone has the right to a standard of living adequate for the health and wellbeing of himself and of his family, including food, clothing, housing and medical care (Universal Declaration of Human Rights, Article 25.1)*

The following recommendations for a coherent national housing policy are based on, and updated from, the arguments advanced by the Zacchaeus 2000 Trust in the *Memorandum to the Prime Minister on Unaffordable Housing* in May 2005, (at [www.z2k.org](http://www.z2k.org)). It was sent by Lord Morris of Manchester to Prime Minister Tony Blair, who replied he had read it with interest.

The *Memorandum* repeatedly stated that the very high level of lending to the property market was unsustainable. In an ethical assessment in the *Memorandum* of the prevailing lack of effective regulation of lending and rents Stanislas Yassukovich, a former chairman of the Securities Association and deputy chairman of the International Stock Exchange, writing in the *Spectator* on 12 March 2005, was quoted as follows:

‘The City cannot prosper in moral isolation from the general public. Unless it rediscovers the difference between right and wrong - as a concept separate from technical compliance with written rules - it risks damaging the entire economic system on which its prosperity depends.’

We cannot see any change in 2011 from the attitudes of politicians or the financial sector in 2005. We are strongly of the opinion that the current financial crisis will be repeated *ad infinitum* unless a coherent national housing policy is developed and implemented.

*(The rationale for the Statement and all the Recommendations is set out in Appendix 1)*

# **The Pro-housing Alliance Action Programme**

The Pro-housing Alliance will work to encourage others to join it in efforts to bring about a greater recognition of the role of housing in society as a determinant of health and well-being and as a vital element of infrastructure to service the growth of the national and local economies; it will seek to develop the components of a credible and just national housing policy.

It will work with existing cross-party groups of parliamentarians with a special interest in housing such as the All Party Parliamentary Group on Housing, and with input from invited experts, with the aim of establishing a policy that embodies both social justice and economic efficiency.

The Pro-housing Alliance believes that the development of such a policy will lead to much greater cost-effectiveness in the use of many public budgets, the more cost-effective use of scarce resources and the reduction of personal hardship and societal stresses.

## **Contents**

<b>A Recommendations for action now</b>	4
<b>B Strategic recommendations</b>	7
Appendix 1 – Statements of rationale	8
Appendix 2 – The evidence of policy failure	15
Appendix 3 – References	19
Appendix 4 – Letters to the press	21
Appendix 5 – Members of the PHA	23

## **A - Recommendations for action now**

### **1. Increase the supply of affordable housing in all tenures**

Enhanced supply and access to housing that people can afford without increasing the risk of debt is essential and an increased supply of housing regardless of tenure, especially low rent housing with adequate security, should be a priority (see the letters to The Times and Daily Telegraph in Appendix 4). Housing should be seen as a national asset.

### **2. The recent set of housing benefit cuts should not be implemented**

The current proposals to cut housing benefit will cause severe hardship and have adverse mental and physical health effects associated with debt, poverty and enforced relocations. They will increase health risks from crowding and lack of space in accommodation.

Instead of cutting housing benefit the high benefit bill should be reduced over time by reducing scarcity by means of increased housing output, better use of the existing stock and the targeting of empty homes in high demand areas.

### **3. Define in statute both 'affordable housing', using local evidence, and 'overcrowded'**

'Affordability' needs to be clearly defined to avoid loose and misleading use of the term. Evidence-based housing affordability figures should be calculated for local areas using the Housing Affordability Standard (HAS) methodology developed by the Zacchaeus 2000 Trust and Citizens UK in 2008, based on Minimum Income Standards (MIS) methodology. Housing that does not meet this standard should not be designated as 'affordable'. A statutory evidence-based definition of the term should be available to assist the courts.

Equally there should be a statutory definition of 'overcrowded' appropriate to modern housing aspirations and the need to protect health and welfare.

### **4. Assess the redistributive effects of housing support**

Over many decades those able to access home ownership have been advantaged in both revenue and capital terms over tenants in all rented categories. This has had clear regressive effects on both income and wealth distributions since those initially wealthy have received most benefit.

Resources should be provided to carry out an analysis to assess the net wealth and income redistributive effects of current and past housing support programmes, both in terms of direct support and in fiscal terms.

**5. Calculate the health cost and other costs arising from housing policy malfunction, develop a strategy to tackle the high levels of 'non-decency' in all tenures and adopt a 'business model' approach**

The Cabinet Office should follow the example of the Department of Energy and Climate Change (DECC) in commissioning research to monetise some of the additional costs to the taxpayer in relation to health, education, the administration of justice and other services deriving from poor and unaffordable housing with particular emphasis on the private sector which has largely been forgotten.

Another example of assessing the costs and benefits of housing policy is the evaluation using economic models to assess the cost effectiveness of the Affordable Warmth Access Referral Mechanism (AWARM) programme undertaken by the Greater Manchester Public Health Practice Unit using the gain in quality adjusted life years (QALYs). The report concludes that warm housing interventions in targeted populations are almost certainly cost effective and that they can be considered a good use of public resources (Threlfall, 2011).

In particular, in consultation with the Treasury, the Department for Communities and Local Government (DCLG) should develop a housing strategy to ensure that all vulnerable households live in homes which meet the ten-year old 'Decent Homes'<sup>1</sup> standard. Special consideration should be given to the increasing number of frail elderly and disabled people living independently in the community.

Recent research studies using a 'business model' approach have suggested that there would be a significant revenue return on increased investment in housing.

**6. Support means to increase the role of residents in housing production and management**

In consultation with local and national residents' organisations, develop the role and empowerment of residents in new housing developments and in the management of existing rented housing in both the private and social sectors.

**7. Develop a better business environment for the housing construction industry**

a) In consultation with the construction industry develop programmes and mechanisms that will more effectively incentivise housing producers and give greater confidence for long-term investment in house building

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<sup>1</sup> The Decent Homes Standard is a target standard set by central Government. To be "decent" a dwelling must be –

- a) be free of any Category 1 Hazard under the Housing Health and Safety Rating System;
- b) be in a reasonable state of repair;
- c) have reasonably modern facilities and services; and
- d) provide a reasonable degree of thermal comfort

b) Reinstate the financial support provided through the private sector renewal budget<sup>2</sup> which is used mainly to carry out minor adaptations and repairs to the homes of vulnerable older and disabled people.

In 2010/11 the central government private sector renewal budget was £317 million, in 2011/12 it is zero. The removal of this funding after more than 60 years will annually affect more than 300,000 vulnerable mainly elderly or disabled households leaving them in properties which are frequently cold, in disrepair and unsuitable for their needs.

## **8. Devise reforms for the land supply system and land taxation**

An independent expert committee should be established to:

- a) Examine the benefits of a land value tax as a replacement for other taxes and reclaim for the public purse some of the increased value arising from public investment; and
- b) As part of the 'Big Society' develop means of promoting Community Land Trusts and similar mutually controlled approaches to housing development. A properly capitalised 'Big Society Bank' should be used to support and fund CLTs and other social enterprise schemes.

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<sup>2</sup> Private Sector Renewal Budget is government money to support local housing authorities with private sector housing renewal activities. It is the view of the Government that "owner occupiers are primarily responsible for the upkeep of their own properties although there may have been circumstances when it has been right for the Government to intervene". See Spending Review 2010: Equality Impact Assessment: Funding for Private Sector Renewal at <http://www.communities.gov.uk/documents/housing/pdf/17958592.pdf>. The coalition has also ceased funding to the housing market renewal pathfinders. The nine programmes in northern areas with high levels of poor housing and declining housing demand began in 2003 and £2.3bn had been spent.

## **B - Strategic recommendations**

### **1. Bring the relationship between earnings and housing costs more into line with historic norms**

Housing costs to residents have risen much faster than earnings over recent decades and this has entailed an increased reliance on housing benefit payments. This trend should be gradually reversed by ensuring that housing costs rise more slowly than earnings so that the evolving price/rent profile of the total stock, and the stock in specific areas, matches the evolving profile of earnings without the need for means-tested benefits which are expensive and impede the transition into work.

### **2. Rebalance the supply/demand support pattern**

Public spending to support housing should be directed primarily to stimulating new output and making better use of existing stock (including empty properties and land) not to stimulating the price/rent levels of stock overall.

In particular the sharply increased spend on Housing Benefit over recent decades (from about £5bn to over £20bn) is wasteful of public resources, especially since a proportion goes untaxed to overseas landlords and has very little effect on increasing housing supply.

### **3. Reduce house price and rent instabilities**

Develop effective regulation over lending volumes to address the factors permitting the recurrent surges in house purchase credit that are the main underlying reasons for the damaging instabilities in house prices and rents, and the supra-inflationary rise in housing costs.

This issue should be approached in the context of the huge and diverse public costs generated by the 'unaffordability' of housing and price/rent instabilities.

# Appendix 1 – Statements of rationale

## The Alliance Position

### High quality and healthy housing is essential infrastructure

**Rationale:** We argue that enough decent affordable housing is a pre-condition for societal health and wellbeing, educational achievement, economic development and the proper care of all age groups.

The Marmot Review argues that tackling health inequalities ‘involves tackling social inequalities’:

...the distribution of health and well-being needs to be understood in relation to a range of factors that interact in complex ways. These factors include whether you live in a decent house’ (Marmot 2010).

The Housing Health and Safety Rating System statutory guidance says:

‘...any dwelling should provide adequate protection from all potential hazards prevailing in the local external environment and that any residential premises should provide a safe and healthy environment for any potential occupier or visitor’ (HHSRS Operating Guidance 2006 made under section 9 Housing Act 2004).

The needs of occupants vary and it is essential with an ageing population that homes are suitably adapted to allow people to live independently with dignity and in comfort.

Housing policy should be predicated equally on considerations of social justice and economic efficiency. The policies of at least the last 30 years have signally failed on both counts with resultant huge, but unmeasured, economic costs and widespread hardship for more vulnerable people.

The Alliance believes that there is a strong and growing case that housing policy malfunction in all its manifestations costs a lot more than the economy can afford. Equally it believes that some aspects of the system are totally unjust and are causing mental stress, physical ill-health and consequent public costs on a widespread scale.

Present policies have no clear set of aims against which success can be measured. They are not making sense in terms of cost-effectiveness in the use of scarce public funding, in terms of facilitating labour migration and the functioning of the economy, or in terms of natural justice.

Any housing policy or strategy should be tested against its ability to deliver in all these respects.

# Rationale for Recommendations for Action Now

## 1 – Increase the supply of housing in all tenures

**Rationale:** the all-pervasive ideologically-led emphasis on owner-occupancy as the only tenure form worth promoting is dysfunctional to the economy. If the ‘homes as pensions’ idea replaces proper pension provision about 30% of the population can’t self-provide, which constitutes a clear injustice. There is no logical relationship between the proportion of home ownership and general welfare. In Switzerland the ownership rate is 30%, in Bangladesh nearly 100% and in the former German Democratic Republic it was about 50%.

There should be no policy preference for owner-occupancy tenure over rented tenures based on the need for rising values as a source of equity to fund future welfare needs. A dwelling should be to provide a healthy and secure environment in which to establish a home – it should not be seen as ‘investment’. If excessive inflation is generally regarded as undesirable the same should apply to housing.

It is also necessary to take account of the effect of necessary demolitions. If homes are assumed to have a life of 100 years the rate of build for replacement purposes alone is about 210,000 per year.

## 2 – The recent set of housing benefit cuts should not be implemented

**Rationale:** The present proposals to cut housing benefit are producing widespread costs stemming from increased hardship and the adverse mental and physical health effects associated with poverty and increased debt. They fail to recognise the pressure on the weekly cost of food and fuel from climate change and other global influences. They will lead to ‘enforced moves’ and the resultant disruption to lifestyles and children’s education, an increase in overcrowding and they are inducing a reduction of household spend on other health-protective items such as a healthy diet and domestic fuel.

No reductions in housing benefit should be implemented until other measures have ensured increased housing supply and a gradual fall in housing costs and thus a reduced call on housing support payments.

## 3 – Define in statute both ‘affordable housing’ (using local evidence) and ‘overcrowded’

**Rationale:** The current use of the term ‘affordable housing’ (for example in relation to s.106 agreements) is misleading and unjustified unless the local housing cost level has been checked against local incomes and other costs required for an adequate lifestyle. This can readily be done using established Minimum Income Standard (MIS) methodology and with regard to the Minimum Income for Healthy Living. Evidence-based housing affordability figures should be calculated for local areas using the Housing Affordability Standard (HAS) methodology developed by the Zacchaeus 2000 Trust and Citizens UK. Housing that does not meet this standard should not be designated as ‘affordable’. A statutory evidence-based definition of the term should be available to assist the courts in determining individual cases.

The statutory overcrowding standard dates from a 1935 Act and was carried over largely unchanged in the 1985 Housing Act. It is totally ill-suited to modern aspirations. In one recent case a family with two adults and eight children living in a three bedroom home, one a box room, were deemed to be only marginally overcrowded under this legislation. Such a standard is clearly not fit for purpose and does not fit easily with the HHSRS hazard of Crowding and Space.

#### **4 – Assess the redistributive effects of housing support**

**Rationale:** The persistence, and worsening, of wealth/income/health inequalities (Joseph Rowntree Foundation 2010, Marmot et al, 2010) is often viewed with surprise because there have been many ‘anti-poverty’ programmes in recent decades which have been designed to reduce or resolve them.

But there are clear indications that the housing support and fiscal advantage available to all owner-occupiers (including those with mortgage paid off) has for some time been more per household than the subsidy to ‘social tenants’. The government has also been abstracting billions from Local Authority rent accounts for some time (Wilcox and Pawson 2011), so in effect this is a reverse subsidy since these tenants are generally worse off to start with.

In addition ‘better off’ areas normally offer a better range of public services and commercial services of all kinds than ‘deprived’ areas so the regressive effects are self-perpetuating over generations in both environmental and financial terms.

It is at least plausible that the net effect is that the housing support pattern is redistributing wealth and income ‘upwards’ faster than the ‘poverty’ programmes are redistributing them ‘downwards’. The research to establish the truth or otherwise of this contention has not been carried out.

#### **5 – Calculate the health cost and other costs arising from housing policy malfunction, develop a strategy to tackle the high levels of ‘non-decency’ in all tenures and adopt a ‘business model’ approach**

**Rationale:** The full range of costs arising from housing that is unaffordable, in poor condition, overcrowded, insecure and inadequately heated or in any other way not appropriate for purpose should be identified and assessed as a guide to what level of housing investment would be most cost-effective in the use of public funds. We see no point in the government spending ever-increasing amounts on the NHS to reduce health inequalities while failing to recognise the impact of poor, overcrowded, insecure and inadequately heated housing on health and wellbeing outcomes (Marmot et al, 2010, Shelter 2006). The reduction of these damaging conditions would enable more effective use of NHS expenditure for example in more preventative programmes.

The Marmot Review stressed the environmental and social determinants of health outcomes. The national and international literature on the ‘exported costs’ generated by poor housing has been growing steadily since the early 1990s when the extent of cost savings arising from housing renewal was demonstrated in the Stepney ‘Health Gain’ study (Ambrose, 2000). In the last two years there have been reports from the Building Research Establishment (Davidson et al, 2010), Circle Anglia (Circle Anglia 2010) and Ecorys

(Friedman, 2010) each separately putting a figure of something like £1bn to £2.5bn annually on the costs of bad housing – but all working on a *different aspect*.

Following the same logic the DECC is commissioning a study to quantify and monetise the health benefits from improving the energy and thermal efficiency arising from programmes such as Warm Front and the Warm Homes Discount. UKPHA has commissioned the Greater Manchester Public Health Practice Unit to assess the costs and benefits of fuel poverty interventions, in particular as part of the AWARM programme (Threlfall, 2011). Using the NHS threshold of £20,000 for a QALY (Quality Adjusted Life Year), an intervention costing £88,800 must generate at least 4.44 QALYs. In the scenarios modelled the value of the QALYs gained ranged from £64,000 to £653,800.

An additional risk factor to health and wellbeing is the lack of security in the private rented sector and the proposed reduction of security in the local authority sector. An Australian study has found that an increase in housing security is correlated with improved achievement and behaviour by children (Phibbs and Young 2005). Conversely a study in Wandsworth has found that overcrowding is an inhibiting factor to children's capacity to perform well at school and can be associated with adverse behavioural consequences (Ambrose and Farrell, 2009). The indications are that an improvement in housing conditions and security would lead to a more cost-effective use of educational investment and to reduced stress on both teachers and learners.

**Putting these studies together, all of which make very conservative assumptions, it is reasonable to believe that the annual cost of poor housing could be £5bn, £7bn or more. This is enough to pay the annual interest on borrowings in the order of £100bn – more than enough to put all existing housing in good order and fund the housing drive being proposed by the Alliance to solve current supply problems.**

The Alliance therefore urges a 'business model' approach and a priority research programme to assess the full range of 'exported costs' from poor housing. If 'UK plc' doesn't know what bad housing is costing it is difficult to see how rational decisions be made about the most cost-effective level of housing investment so as to eradicate the costly conditions.

## **6- Support means to increase the role of residents in housing production and management**

**Rationale:** The report on the benefits associated with an empowering housing management regime in an area of Paddington (Ambrose and Stone, 2010) showed that improved health and wellbeing outcomes can be achieved by a sensitive and empowering style of housing management. Since the home is so central to many other aspects of life, and can materially improve or detract from health and welfare, it is obvious that serious thought should be given to furthering management regimes that need not be excessively costly but which are likely to lead to enhanced wellbeing outcomes.

These management practices do not arise by chance but by conscious policy decisions made by local authorities and RSLs which need to be supported by central government programmes, funding and advice. This is exactly the kind of support that can be offered by bodies such as the Tenants Services Authority and the National Tenants Voice which were

recently abolished. These organisations, or others fulfilling the same function, should be put in place and properly resourced.

## **7 – Develop a better business environment for housing producers**

**Rationale:** The house building industry has been facing a very difficult and unstable set of operating conditions as peaks in the mortgage flow are succeeded by a sharp downturn in lending and a failure in demand for their products.

In addition uncertainties about how the infrastructure costs will be allocated between them and the local authority is not conducive to an environment for confident investment by builders or for innovating in construction technologies or management practices. Our house building industry is well behind that of others (for example Japan) in these respects.

National and local building targets should be worked out on the basis of projected housing needs, the supply of development land should be ensured by intervention by the local authority if necessary, the arrangements for infrastructural cost sharing should be clearly agreed and the aggregate flow of mortgage and construction funding guaranteed at a level to provide a buoyant and sustained market for housing producers.

## **8 – Reform the land supply system and land taxation**

**Rationale:** the additional land value conferred on land zoned for development is something like x100, or maybe even x1000, depending on the use and amount of development approved. Similarly land rises massively in value as a result of publicly funded infrastructure (mass transit links, etc.).

All attempts to tax this gain since 1945 have failed, often from lack of consultation with land development interests, but it can be done in a number of ways. Local authorities could exercise acquisition policies so as to become the monopoly providers of development land (as previously in Sweden – Ambrose 1994) thus themselves benefitting from the increment in value due to zoning for a higher use. There could be a low tax % levied annually on the value of zoned but undeveloped land since there is something like 110,000 housing sites in London with consent but not yet built on (*London Land Report*, December 2010). In addition there could be some tax levied on the ‘betterment’ deriving from public investment in infrastructure. Such a combination of land taxes could produce sufficient revenue to replace Council Tax and Business Rates and/or other taxes levied on productive activities.

In terms of development mechanisms there are proven and effective ways of taking the rising value of developed land into public or community ownership whilst allowing either public or private leasehold development to take place. Variants of the Community Land Trust (CLT) model are widely used in the USA (see for example Davis and Stokes 2010) and their use could be scaled up here.

# Rationale for Strategic Recommendations

## 1 – Bring the relationship between earnings and housing costs more into line with historic norms

**Rationale:** The Housing Minister has recently stressed the need for housing to be more widely affordable. Historically it has normally been easier for all income groups to find housing opportunities that match their widely divergent incomes. The problem now is that the profile of housing costs is truncated towards the lower end while disparities in income have increased. So access to suitable housing for lower income groups depends, increasingly, on means-tested housing benefit payments. This dependence has serious inherent problems.

The solution, which may take a decade or more, is for private and social rental growth to be controlled at less than earnings inflation, for mortgage lending to be regulated such that house prices also rise slower than earnings and for the supply/demand support pattern to be rebalanced (see next point).

## 2 - Rebalance the supply/demand support pattern

**Rationale:** Housing support can be applied to the supply side by incentives to *constructors*, (direct subsidy, easier land supply arrangements, the provision of a safe investment horizon, etc) or to housing *users* (in the form of MTR, other fiscal advantage such as exemption for capital gains and Schedule A tax and Housing Benefit and Allowances, etc.). In 1980 the ratio of the first to the second was 80:20, now it is 20:80 and the cost of housing benefit has risen to £20-25bn a year. A lot of this is going untaxed to landlords outside the UK and an estimated £3.5bn of it going to neglectful landlords who have profited from the lax regulation of buy-to-let.

The overall effect of demand side support to users is to inflate the prices/rents of existing homes without having much impact on supply – the effect of supply side support to producers is to stimulate new output which in time can stabilise prices and rents.

In addition, since 90% of the existing stock will still be here in 30 years time, a higher proportion of support should go to making the existing housing healthier and safer. In addition, according to the Empty Homes Agency there were over 726,000 homes empty at the end of 2009. One estimate (Audit Commission, 2009) is that if only one in twenty of empty homes were brought back into use there would be a saving of £500 million annually on the cost of dealing with homelessness

## 3 - Reduce house price/rent instabilities

**Rationale:** A similar aim has been set out recently in statements by the Housing Minister. It is essential to be clear where high prices and rents actually derive from. They don't reflect original construction costs otherwise one could buy a mid 19<sup>th</sup> Century house for the £150 it cost to build in 1850. Despite arguments to the contrary they don't normally reflect land costs as the amount bid for new housing development sites is normally arrived at by the 'residual' calculation which starts with the expected sale price of the new housing produced. This in turn largely depends on the house purchase credit flow available or anticipated.

From the early 1980s deregulation of finance markets up to 2007 the credit flow increased explosively as lenders moved into more and more 'sub-prime' areas of lending in a competitive race for profits. Over the period 1980 to 2006 (when it reached £1trillion) the total amount of house purchase debt outstanding was about £800bn more than it would have been had mortgage lending risen with inflation over that period (see Appendices 2 and 5 of Zacchaeus 2000 Trust 2005).

This carries with it huge opportunity costs. This £800bn could have been applied to modernising our infrastructure, building our hospitals and schools, funding R and D for our industries and to many other economically productive purposes. Instead it went to elevating house prices and increasing the paper wealth of those who can access owner-occupancy. This is as wrong economically as it is ethically. Rough calculations show that had house purchase lending grown at the rate of general inflation post-1980 the average house price in 2005 would have been £60,000 (Ambrose, 2005).

It follows that to address the problem effectively there needs to be more careful regulation of aggregate lending flows in relation to the volume of housing transactions. In recent decades the lenders as a group appear to have been more powerful than the Chancellor, the Bank of England and the FSA, the tripartite regulation system.

Rents in the PR sector are partly linked to rises in capital values as landlords seek a competitive return on funds invested or they reflect what the local market will bear. Local authority rents, which formerly could be kept low by the 'pooled historic cost' mechanism have been, since about 2000, linked partly to house values in the area. Thus rent levels in all sectors are linked to rapid inflation in house prices.

## Appendix 2 - The evidence of policy failure

Despite investment in more recent year via the Decent Homes programme for homes in the social sector, Housing Policy has failed in many respects. The following evidence illustrates some of the failures.

1. Since the 1970s we have seen a sharp decline in housing output (see table below).

	1970	1980	1990	2000	2009
Housing Starts	268,709	130,911	133,469	144,516	78,220
Housing Completions	291,793	204,366	163,899	135,098	118,160

Source: UK Housing Review 2010/2011, p.115

Also see for example the Annual Reports of the Council of Mortgage Lenders and the various reports of the Barker Review.

2. This reduction can mostly be attributed to falling levels of investment from the public sector but the private sector has failed to compensate. In 1980/81 housing represented 6.087% of total government spend while in 2000/01 it merely made up 0.946% of government spending. Between these years spending on housing decreased by 77.3% (in real terms), while public spending in other areas such as health care, social security, policing and education grew at rates of 96.1%, 85%, 108.3% and 41.7% respectively (p.105, UK Housing Review 2010/2011).
3. In recent decades house prices have been extremely volatile. For example in 2000 gross fixed capital formation in dwellings was 2.8% of GDP, this rose to 4% in 2006 and 2007 before shrinking back to 2.8% in 2009 (p.114, UK Housing Review 2010/2011).

In 2008 and 2009 the total number of mortgages advanced in Great Britain was 516,000 and 598,000 respectively. Whereas between 1996 and 2007 the annual figure was always above one million (p.148, UK Housing Review 2010/2011), in 2009 there were 78,220 housing starts in England compared to the 104,960 in 2008 (P.115, UK Housing Review 2010/2011), which suggests that starts are closely linked to availability of mortgages.

Volatile house prices represent an unacceptable risk for many potential investors. This coupled with a drop in mortgage advances, making the sale of new builds more difficult, has resulted in low levels of private investment in housing.

4. This reduced investment in housing is despite widespread evidence of shortages around the UK. 565,000 households are now overcrowded in England alone. That is 11,000 more than the previous year<sup>3</sup>. Children living in overcrowded housing have a

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<sup>3</sup> See: "Overcrowding figures up" 29 January 2009 at [http://england.shelter.org.uk/news/previous\\_years/2009/january\\_2009/overcrowding\\_figures\\_up](http://england.shelter.org.uk/news/previous_years/2009/january_2009/overcrowding_figures_up)

25% higher risk of severe ill health and disability during childhood and early adulthood (Shelter, 2006). Overcrowding has also been linked to sleep deprivation, stress and lack of educational achievement (CIEH, 2008)

5. There has been a 54.0% reduction in public sector housing stock between 1991 and 2009 in the UK from 4,959,000 units to 2,259,000 (p.123 UK Housing Review. 2010/11). In 2008 1.8 million households were on waiting lists for Social Housing (this is 4.5 million people or 1 in 12 of the population)<sup>4</sup>. Council leaders predict that this number will rise to 5 million people sometime this year<sup>5</sup>.
6. According to the English Housing Survey Headline Report (EHS) 2009/10 in 2009 there were 6.7 million dwellings (30%) which failed to meet the decent homes standard. Privately rented dwellings had the highest incidence of non-decency of the four tenures, 41% (1.465M dwellings), while in the owner occupied sector 29% failed to meet the standard (4.377M dwellings) (CLG, 2011).. Of the total of non-decent homes 4.5M dwellings had a Category 1 hazard. Despite a Labour Government programme which promised that all social housing should be made decent by 2010 there were still 880,000 non-decent dwellings in this sector.

The poorest quality housing is found in the private rented sector as the EHS Headline Report 2009/10 shows almost 1.5M are non decent with 971,000 having a Category 1 hazard.. This is of particular concern as, following the 'failure' of the housing market, it is anticipated that more people will be relying on this sector due to the restricted supply of social housing and mortgages being so limited. The Coalition government has rejected a proposal to have a national register of landlords whilst at the same time a recent report for Labour MPs Karen Buck and Allison Seabeck<sup>6</sup> has indicated a worryingly low enforcement activity by local authorities and little strategic approach to addressing the real problems in this sector (Battersby 2011). This also leaves tenants with very limited security of tenure exposed to those neglectful and/or criminal landlords who can exploit their vulnerability, leaving tenants. The benefit reforms will only add to the uncertainties for many housed in the private rented sector.

7. The Centre for Research in Social Policy reported in February 2011 that many older people still live in unsuitable homes that are in need of repair, heating and insulation, which can contribute to illness and social exclusion (Oldman, 2006; Age Concern, 2008). Older households (aged 60 plus) are more likely than average to live in non-decent and energy inefficient homes with those aged 75 plus, receiving means-tested or disability-related benefits, living in private sector housing, or being resident in their current home for a long time, most at risk of poor living conditions (DCLG, 2011). For the increasing number of older low-income homeowners this is due to declining income and capacity to deal with the repairs and improvements required to maintain a property to a decent standard (DCLG, 2009).

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<sup>4</sup> See: <http://www.lga.gov.uk/lga/core/page.do?pagelId=1518784>

<sup>5</sup> See: <http://www.lga.gov.uk/lga/core/page.do?pagelId=2012427>

<sup>6</sup> See: [http://www.sabattersby.co.uk/sabattersby/Papers\\_Slides\\_&Links\\_files/HHSRS\\_Are%20tenants%20protected.pdf](http://www.sabattersby.co.uk/sabattersby/Papers_Slides_&Links_files/HHSRS_Are%20tenants%20protected.pdf).

Data from the English House Condition Survey (EHCS) of 2007 (DCLG, 2009) showed that almost 3.2 million of older and elderly householders in non-decent homes live in private sector housing. Vulnerable householders aged 75 or more are most likely to live in non-decent homes. Over 1 million (67%) vulnerable older and elderly householders in non-decent housing live in owner occupied or privately rented homes. Some 865,000 of older and elderly householders in houses in serious disrepair lived in private sector housing. Unlike other age groups the position of vulnerable householders aged 75 has continued to decline, with the percentage in housing in serious disrepair increasing from 10.8% to 14.4%. Vulnerable householders aged 60 or more saw an increase from 10% to 12.3%. The EHS Headline Report (DCLG, 2011) shows that older households in poverty were most likely to be living in the most energy inefficient homes, Bands F and G (22% compared to 15% of all poor households and 14% of all households).

For those people needing assistance to carry out adaptations and repairs to their homes the situation is at crisis point. Between April 2008 & March 2011 the government invested £1,080 million in housing grants to owner occupiers and to private tenants to carry out small adaptations, repairs and to improve levels of affordable warmth. These grants reached about 200,000 vulnerable households a year. As has been stated the government's 2010 comprehensive spending review has led to the axing of the 'private sector renewal budget' for 2011/12 and the succeeding three years the government intends to invest no money at all.

Much of the private sector renewal money was used to assist in improving levels of energy efficiency in the homes of vulnerable older and disabled people. In future there will be no such assistance and the situation has been greatly exacerbated by the government's decision to close the Warm Front programme and to replace it with the 'Green Deal' which will not be run by local authorities. In 2009/10 the Office for National Statistics reported there were 25,000 excess winter deaths. The 2010 Public Health White Paper states 'we could prevent many of the yearly excess winter deaths through warmer housing.' Following the exceptionally cold winter of 2010/11 it is highly probable that this annual tragedy of unnecessary winter deaths will continue at a higher level.

8. The current housing system can inhibit labour mobility through waiting lists for social rented housing, difficulties in selling owner occupied dwellings and high housing costs in employment growth areas (European Commission, 2010).
9. Expenditure on housing benefit has steadily increased in 86/87 it was under £4billion but in 10/11 was anticipated to exceed £22billion (Table 114 UK Housing Review 2010/2011<sup>7</sup>). This increase in Housing Benefit payments has helped to inflate the cost of housing. A much better use would have been to instead use public funds to expand supply, thus reducing prices and rents. The government is currently cutting Housing Benefit but this is happening too quickly and will cause serious hardship. A slow structural shift is instead needed to correct the system.

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<sup>7</sup> See: <http://www.york.ac.uk/res/ukhr/ukhr1011/tables&figures/pdf/10-114.pdf>

Work carried out for the Royal Commission on Environmental Pollution suggests that in theory CO<sub>2</sub> emissions from the UK's housing stock could be reduced by 75% by 2050 compared with 1996 levels. This would involve a demanding package of measures including: refurbishment of existing stock; more energy efficient lights and appliances in all homes; replacement of some old housing with new housing constructed to very high environmental standards; a change in householder attitude to energy saving; and installation of low and zero carbon technologies across the entire stock.

10. The UK development system currently has no effective bars to speculation in land. It was clearly shown in the mid-eighties (for example in Dickens et al. 1985) that at some states of the market house-builders can make more money from land speculation than they can from building. This distorts their operations and acts as a disincentive to competing successfully in terms of innovative construction and management practices.

The consequences were evident in the three-nation comparison carried out in France, Sweden and the UK in the early 1990s where it was clearly shown that the Swedish development system out-performed that of the UK in providing sufficient appropriate housing in economic growth regions (Barlow and Duncan 1992).

The UK land development system was further criticised in relation to the redevelopment of part of Stepney under the SRB Central Stepney programme 1995-2001 where it was clear that an important site had been neutralised for decades by malfunctions in the planning system (Ambrose 2002).

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## Appendix 4 – Letters to The Times, 15 March 2011 and the Daily Telegraph, 12 April 2011



### **Affordable homes: The building industry has the capacity to build 500,000 green and affordable homes a year for seven years**

Sir, Deficit reduction will end sooner or later so now is the time to plan a rapid growth in affordable homes. The building industry has the capacity to build 500,000 green and affordable homes a year for seven years. The costs are estimated at £350 billion, or £50 billion a year, without the land. Closed landfill in the UK comprise at least the 70,000 acres required to build 3.5 million houses. Flood plain land to be avoided. Recycling the waste in the landfills and remediating the sites would cost about another £5 billion a year. The expenditure could be recovered over time by selling half and renting the other half of the new affordable homes.

The cost of £350 billion is feasible, when compared with the £1 trillion government support to the banks. It will stabilise house prices and, coupled with appropriate regulation of lenders and borrowers, will provide the UK with the beginnings of a national housing policy.

Peter Ambrose  
*Visiting Professor in Housing and Health, Brighton University*

Adrian Cooper  
*Director, Team Homes*

The Rev Paul Nicolson  
*Chairman, Zacchaeus 2000 Trust*

# The Daily Telegraph

## Funding new houses

SIR – The Treasury, in rejecting all economic policies but immediate cost-cutting, is lagging behind current thinking. We need to move away from use of a “single bottom line” of profit to provide a case for investment, towards a “triple bottom line”, taking into account people, planet and profit.

Nowhere is the need for this approach more obvious than in house building. Some 3.5 million households need affordable homes; the planet could benefit from fuel-saving houses, and the building industry from employment and profit.

A report from the Pro-Housing Alliance suggests the Treasury should consider that future cost savings in the NHS, education and other sectors – because of the improved health of families no longer encumbered by bad housing – would exceed the cost of borrowing £50 billion a year to build 500,000 green homes. The capital cost would be recovered by the sale or rental of the houses.

Steve Battersby  
*President, Chartered Institute of Environmental Health*

Peter Ambrose  
*Visiting Professor in Housing and Health, Brighton University*

Stephen Hill  
*Director, C20 Futureplanners*

Angela Mawle  
*Chief Executive, UK Public Health Association*

Peter Archer  
*Chairman, Care and Repair England*

Adrian Cooper  
*Director, Team Homes*

Rev Paul Nicolson  
*Chairman, Zacchaeus 2000 Trust*

## Appendix 5 –

Organisations and individuals who have so far supported the Pro-housing Alliance and the Statement

Chartered Institute of Environmental Health

United Kingdom Public Health Association

Care and Repair (England)

Zacchaeus 2000 Trust

Team Homes

C<sub>2</sub>O Future Planners

Camden Federation of Private Tenants

Housing Justice

Professor Peter Ambrose, Visiting Professor in Housing and Health, Brighton University  
(former Chair National Housing Forum)

Marianne Hood

Danny Friedman, Ecorys (Research and Consultancy)

John Bryson (Chair CIEH Standing Conference on Housing and Health)

Professor David Ormandy WHO Collaborating Centre for Housing Standards and  
Health, University of Warwick

Simon Church UKPHA Housing and Health SIG

David Shiner Urban Renewal Officers Group

Jim Vine Building & Social Housing Foundation