

## Housing Affordability in Europe

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### Background: Housing in UK

Information from desktop research

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#### Context

In England, social housing accounts for 17% of all households.

The demand for housing is closely related to the number of households in the UK. (A household can vary from one person living alone to a family with children or a group of unrelated people sharing a common space like a kitchen or living room.) Household formation depends on changes in the age-structure, social changes including trends in cohabitation, marriage and divorce, and birth and death rates. It is also influenced by the availability and cost of housing. For much of the 20th century the number of households rose faster than the population growth and the average household size fell. However recently average household size has changed little and population growth is now the key factor driving household growth

Who funds affordable housing? There are two main sources: taxpayers and the housebuilding industry. The government allocates a Housing Grant to build affordable homes. The current four-year settlement is worth £4.5bn. This is a 60% reduction on the previous allocation. The grant works out on average at £20,000 per home or 14% of its cost, according to a recent [London School of Economics report](#).

Do private housebuilders build affordable homes? Yes. The numbers they contribute towards are set in negotiations with councils through what is known as Section 106 planning agreements. Housebuilders, by cross-subsidising the profits they make on their 'market' properties in development schemes, effectively generate about half the affordable homes built in Britain. But as the Bureau has reported over the past two years, many developers have successfully reduced the amount of homes they are obliged to build by arguing the agreed ratios are no longer economic, despite booming profits in the industry.

The [Homes & Communities Agency](#) (HCA) regulates affordable housing. The HCA also receives government funds to regenerate what are considered to be strategically important sites.

Today housing associations are the main providers and managers of affordable homes. Many have huge revenue streams from the rents they collect.

- Immigration and housing crisis <http://www.migrationwatchuk.org/key-topics/housing> ; <http://www.theguardian.com/housing-network/2016/jan/25/is-immigration-causing-the-uk-housing-crisis> ; <http://www.economicshelp.org/blog/20107/housing/immigration-and-housing/>
- Investigation into housing crisis <https://www.thebureauinvestigates.com/category/projects/the-housing-crisis/>

- What is social housing?  
[http://england.shelter.org.uk/campaigns/\\_why\\_we\\_campaign/Improving\\_social\\_housing](http://england.shelter.org.uk/campaigns/_why_we_campaign/Improving_social_housing)
- UK Govt statistics affordable housing supply  
<https://www.gov.uk/government/collections/affordable-housing-supply>

## Affordable housing issues

- Impact of housing shortage: High housing costs in many parts of the country take a large portion of people's income. For many young people the high cost of renting means that they have to spend longer living in house shares or with their parents. Families have to live in overcrowded conditions or move away from their local area to find suitable accommodation they can afford. Those living in the parts of the UK with lower housing costs cannot afford to move for work leaving, them trapped in areas with few opportunities. The social housing sector that provides accommodation at below market rents is overwhelmed. Very large waiting lists mean that only those deemed most in need will ever get allocated a social home
- Factors other than net migration causing housing crisis
  - Delay in getting married, more single people, rise in life expectancy are all causing a rise in the number of households.
  - Shortage of bricklayers and construction workers could adversely affect housing supply. Immigration can help fill labour shortages in these semi-skilled jobs and help the construction industry.
  - Low interest rates helping to keep mortgages affordable and encourage people to buy, despite high prices.
  - Shortage of social housing and local authority housing. Immigrants only account for relatively small percentage of social housing rents.
- Government projections suggest that the number of new homes that need to be built every year to accommodate new households in London is 56,000. The APSE/TCPA report *Housing the Nation* found that over four decades successive governments have had to meet increasingly larger bills for housing benefit payments, whilst neglecting to address the root cause of rent increases, which is the lack of supply of social housing.
  - The latest household projections suggest that we need over 220,000 additional homes in England each year until 2031 if the projected growth in households is to be accommodated.
  - Currently we are building only 54% of that number - putting pressure on prices and rents.
  - The housing crisis is worse in London and the wider south east where 55% of the homes required need to be located.
  - Even if the homes required are actually built the latest government household projections suggest that couples aged between 25 and 34 will be less able to live in their own home in 2031 than their counterparts in 2011.

- Town and Country Planning Association estimates of housing supply issues
  - The Department for Communities and Local Government’s (DCLG’s) latest, 2012-based household projections suggest that England needs an extra 222,000 homes a year over the period 2011-31. That is 9% fewer than the 244,000 a year suggested by the 2008-based projections – the last full set of projections produced, which reflected conditions before the economic downturn.
  - The projections envisage that there will be household groups that will have an increased chance of setting up their own home compared with 2011 – but also groups that will do worse than in 2011. The ‘winners’ are largely single people in their 30s, 40s and 50s, although they will see their housing conditions improve more slowly than suggested by the 2008-based projections. The ‘losers’ are younger households – especially couples in their 20s and 30s, who will see their housing conditions deteriorate even further. There will, however, be more ‘winners’ than ‘losers’ by a ratio of more than 3:1, so overall household formation rates are projected to increase.
  - Comparing the 2012-based projections with the DCLG housebuilding statistics for the four years 2011/12 to 2014/15 suggests that over that period only 54% of the homes identified as required by these projections were built in England as a whole. In London the proportion was only 34%. The failure to build the homes needed to house the projected growth in households means that household formation rates are likely to be lower than envisaged in the projections. To address the shortfall that has occurred since 2011 by 2020, England would need to build an average of 312,000 homes a year over the next five years. This is more than 50% higher than the Government’s ‘target’ of a million new homes, which itself is seen by most commentators as unobtainable.
  - The 2012-based projections suggest major differences in population and household growth – and therefore housing requirements – between regions. At the extremes, the number of households in the North East is expected to increase by 11% between 2011 and 2031, while the number of households in London is projected to increase by 33% – three times as much.
  - Based on the 2012-based projections, 25% of the new homes that England needs between 2011 and 2031 will need to be in London, and 55% in London and the East and South East regions. These numbers are extremely unlikely to be achieved – resulting in additional pressures in neighbouring regions and lower actual household formation rates.
- The UK has spent **almost £2bn housing vulnerable homeless families in short-term temporary accommodation**, according to new research by the Bureau of Investigative Journalism, which demonstrates the dramatic scale of Britain’s housing crisis. In the year to April, 10,832 households were rehoused out of their home boroughs – a 15.86% rise on the previous 12 months.
- **Reduced benefit cap:** The overall benefit cap, introduced in 2012, limits the total amount that one household can receive in most benefits. In April 2016 it was lowered to £20,000, or £23,000 in London, a move which will greatly increase the number of households affected and the parts of the country in which it will have an impact. Couples with three children would receive £110 a week – which is not enough to meet the average rent for a three-

bedroom housing association home anywhere in the Midlands or the south of England, and even in many areas in the north. For single parents, the impact would not be quite so severe, because of their slightly lower basic living allowances, but those with three children would still find average housing association rents beyond them in London and most of the south east of England.

- Why we need more social housing - Many of the issues with social housing stem from the same problem: there just have not been enough social homes built over the past few decades. But while there is a huge lack of supply, demand for social housing has soared. More recently, a series of government policy changes have changed the very nature of social housing.
  - The number of people living in social housing in this country is in decline. As waiting lists continue to grow, more and more people are being forced into private rented housing instead. This is leaving thousands of families and vulnerable households without a suitable home.
  - There are more than 1.8 million households waiting for a social home – an increase of 81% since 1997.
  - Two thirds of households on the waiting list have been waiting for more than a year
  - Nearly 41,000 households with dependent children were living in temporary accommodation at the end of December 2012.
  - The biggest problem facing social housing is that as a country [we are simply not building enough affordable homes](#). As a result, waiting lists for social housing continue to grow – forcing more and more people to move into private rented accommodation. Often this form of housing – [with short-term contracts, unpredictable rent rises and a lack of security](#) – is unsuitable for those who are vulnerable or in housing need.
- Immigration and housing crisis <http://www.migrationwatchuk.org/key-topics/housing> ; <http://www.theguardian.com/housing-network/2016/jan/25/is-immigration-causing-the-uk-housing-crisis> ; <http://www.economicshelp.org/blog/20107/housing/immigration-and-housing/>
- Councils call for UK govt to do more <http://www.propertywire.com/news/europe/uk-affordable-homes-councils-2016051611915.html>
- We are only building half the homes we need <http://www.tcpa.org.uk/resources.php?action=resource&id=1273>
- Investigation into housing crisis <https://www.thebureauinvestigates.com/category/projects/the-housing-crisis/>
- Chartered Institute of Housing Key housing topics in 2016 <http://www.cih.org/2016topics>
- Why we need more social housing [http://england.shelter.org.uk/campaigns/\\_why\\_we\\_campaign/Improving\\_social\\_housing](http://england.shelter.org.uk/campaigns/_why_we_campaign/Improving_social_housing)
- TCPA Housing the Nation <http://www.tcpa.org.uk/pages/housing-the-nation-.html> ; <http://www.apse.org.uk/apse/index.cfm/news/2015/lets-house-the-nation/>

## Housing policy

The government [defines affordable housing](#) as “social rented, affordable rented and intermediate housing provided to specified eligible households whose needs are not met by the market”.

On housing, the opening line in the Conservative party’s recent [manifesto](#) says it “believes passionately in home ownership”. The Tories are committed to build 200,000 new Starter Homes for first time buyers. These will be sold at a 20% discount. It will extend its Help to Buy loan scheme (see above) and introduce a new Help to Buy ISA. This will give those saving £12,000 for a deposit on their first home an extra £3,00 contribution from the government.

Most controversially, the government has committed to make it easier for housing association tenants to buy their homes. Steep discounts will be offered to housing association tenants in what is a significant extension of the Conservatives’ flagship Right to Buy (RTB) policy. Housing association RTB will be paid for by forcing councils to sell their most expensive properties when they become available. The policy has attracted strong opposition from business groups including the CBI and even major property consultancies such as JLL.

The government has also promised to build 275,000 affordable homes by 2020 – equivalent to 55,000 per year over five years. This is above the 24 year affordable housing average of 48,000 per year. There is no mention of what type of tenure these homes will be.

Jan 2016 The government will announce a scheme to build affordable homes by directly commissioning small and medium firms to build on public land. This is expected to facilitate the building of 13,000 homes on four sites outside London and thousands more inside the capital. the government will not own the land. Instead, it will be sold to developers with the planning permission. Cameron claimed that the endeavour will take away the risks which currently prevent smaller firms from building on brownfield sites.

The BBC says the pilot scheme will initially be tried out on five sites – Brownfield land at Old Oak Common in north west London, the former Connaught Barracks in Dover, past Ministry of Defence (MoD) land at Northstowe in Cambridgeshire, a former hospital site at Lower Graylingwell in Chichester and an MoD site at Daedelus Waterfront in Gosport.

- UK announces 13,000 more houses <http://www.ibtimes.co.uk/david-cameron-unveil-massive-affordable-housing-scheme-1535820>
- Investigation into housing crisis <https://www.thebureauinvestigates.com/category/projects/the-housing-crisis/>

## National Planning Policy Framework

- 1) To boost significantly the supply of housing, local planning authorities should:
  - a) use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period;

- b) identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20%
  - c) identify a supply of specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15;
  - d) for market and affordable housing, illustrate the expected rate of housing delivery through a housing trajectory for the plan period and set out a housing implementation strategy for the full range of housing describing how they will maintain delivery of a five-year supply of housing land to meet their housing target; and
  - e) set out their own approach to housing density to reflect local circumstances.
- 2) Local planning authorities may make an allowance for windfall sites in the five-year supply if they have compelling evidence that such sites have consistently become available in the local area and will continue to provide a reliable source of supply..
  - 3) Housing applications should be considered in the context of the presumption in favour of sustainable development.
  - 4) To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:
    - a) plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
    - b) identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and
    - c) where they have identified that affordable housing is needed, set policies for meeting this need on site
  - 5) Local planning authorities should identify and bring back into residential use empty housing and buildings in line with local housing and empty homes strategies and, where appropriate, acquire properties under compulsory purchase powers.
  - 6) The supply of new homes can sometimes be best achieved through planning for larger scale development, such as new settlements or extensions to existing villages and towns that follow the principles of Garden Cities.
  - 7) Local planning authorities should consider the case for setting out policies to resist inappropriate development of residential gardens, for example where development would cause harm to the local area.
  - 8) To promote sustainable development in rural areas, housing should be located where it will enhance or maintain the vitality of rural communities.

### ***Criticism of NPPF***

- A report on housing need in the UK published by the Association for Public Service Excellence (APSE) and the Town and Country Planning Association (TCPA) found that 72% of councils think the National Planning Police Framework (NPPF) hinders building of



affordable housing, 96% of councils say that their need for affordable housing is severe or moderate and 7% think starter homes will help address affordable housing. In particular they say that it is the viability test laid out in the NPPF that is hampering their ability to build social and affordable housing. However 11% of councils think that the viability test will provide the numbers that we need to tackle the biggest housing crisis of a generation, an increase of 19% compared to a year ago.

- Lack of local plans
  - Responding to criticism that the NPPF has become a charter for developers, Mr Betts commented: "With a local plan in place, it shouldn't be. The NPPF really underpins that local plan and development will take place in accordance with the local plan. So if developers put in applications on sites that haven't been allocated for that purpose then they should be refused." In contrast to Mr Betts position, [research published in June 2014](#) showed that only one in seven local planning authorities (14.6%) has a local plan in place which fully complies with the NPPF.
  - See: Proposed changes to NPPF <http://www.rtpi.org.uk/briefing-room/news-releases/2015/december/updated-ministers-consult-on-nppf-changes/>
  - Councils call for UK govt to do more <http://www.propertywire.com/news/europe/uk-affordable-homes-councils-2016051611915.html>
  - NPPF relies on local plans <http://www.remarkable-engagement.co.uk/with-a-local-plan-in-place-there-is-no-presumption>

## Housing and Planning Act 2016

- Transition to universal credit - Landlords' initial experiences of UC suggest that rent collection rates are significantly lower than 'normal'
- In January 2016, the Prime Minister announced a new approach to estate regeneration, including a £140 million fund to kick-start the regeneration work.
- Reduced benefit cap – affect what people can afford and where they can afford to live/rent/buy
- Fixed term tenancies
- Right to rent
- Pay to stay
- Right to buy extension
- Starter home scheme

**Criticism of Act** - overall shape of policy is skewed too much towards home ownership. What about people who simply can't afford to buy? In many developed economies there are around 20 to 25 per cent of people who can't afford a home of their own, and home ownership has actually been declining for the past 10 years and even at its peak only 70% of households were home owners. Our housing policy framework must recognise that there is a significant proportion of the population who are not home owners and that the private and social rented sectors need greater attention – especially in terms of new supply. Some of the policies in the

bill are designed to address declining home ownership, but will they really help people on lower incomes access home ownership? As Shelter has pointed out, on current average lending ratios you'd need an income of £50,000 and a deposit of £40,000 (and substantially more in London) to afford a new 'starter home', even with their 20 per cent discount. If the government is going to build one million homes by 2020 it will need to have all parts of the industry firing on all cylinders and building all types of tenures. But some of the measures in this bill will stop local authorities from building and create real challenges for housing associations. Instead, we need to put in place policies that encourage all parts of the industry to build all types of homes so we can deliver more and better housing.

- Chartered Institute of Housing. Key housing topics in 2016  
<http://www.cih.org/2016topics>

## Fixed term tenancies

In future new secure tenancies in England will be granted for a fixed period of between two and ten years (longer if the household contains a child under nine years old). The change will be introduced via the Housing and Planning Act and relates specifically to council tenants. Was a voluntary scheme previously - It is now more than three years since social landlords in England were first given the choice of issuing new tenants with a traditional 'lifetime' tenancy or a tenancy for a fixed term. Government statistics show that since then the use of fixed term tenancies has increased gradually, but that they still account for a minority of new lets – 13 per cent of tenants moving in to a general needs property were issued with a fixed term tenancy in 2014/15, up from nine per cent the year before.

**Criticism of fixed term** - If the government is going to make the use of fixed terms mandatory, it is essential that it does so in a way that retains as much local flexibility as possible. It would be extremely difficult to prescribe a single set of rules, covering areas such as the circumstances in which landlords should or should not renew a tenancy, which would work across the whole country. There is also a question over the length of fixed terms which landlords are able to use. Under the current voluntary system five years is clearly the most commonly used term but some landlords are using shorter terms, usually two years, for some specific groups of tenants. Others are using longer terms, often 10 years, to balance their need to make the best use of their stock with the need to also promote successful communities and to offer an appropriate level of security to individual households, particularly those with young children. Ultimately, the length of the tenancy should reflect the household's circumstances and what the landlord is trying to achieve and so we would also encourage government to allow landlords to continue to offer a range of terms, between two and 10 years, as they see fit.

- Chartered Institute of Housing. Key housing topics in 2016  
<http://www.cih.org/2016topics>



## Right to rent

From 1 February 2016 private landlords must check the immigration status of prospective tenants as part of the government's 'right to rent' scheme, initially piloted in the West Midlands and now being rolled out across the whole of the UK. The change will also affect housing associations making direct lets outside their local choice based lettings/nominations schemes and social tenants taking in lodgers

**Criticism of right to rent** - Right to rent means that England's 1.8 million private landlords will be required to check prospective tenants' immigration status from 1 February (approx. 2.6m people a year) – and due to increased penalties for non-compliance proposed in the Immigration Bill they could now face a jail sentence for getting it wrong. CIH is warning that, faced with the potential scale of the task and the threat of a fine or even a jail sentence for failing to carry out the checks, landlords may simply discriminate against anyone they believe isn't British, even if they have a legal right to live in the UK.

- Chartered Institute of Housing. Key housing topics in 2016  
<http://www.cih.org/2016topics>

## Pay to stay

Government have announced that they will require council tenants in England with a higher income (defined as more than £31,000 per year, or £40,000 in London, to be uprated annually in line with inflation) to pay a higher rent, with the details of how rent increases will be calculated to be set out at a later date. The change is being introduced through the Housing and Planning Act and will apply specifically to council tenants, although housing associations will be allowed to introduce a similar scheme on a voluntary basis should they choose to do so.

**Criticism of pay to stay** - In a survey of Chartered Institute of Housing (CIH) members, 77 per cent of people who responded said the policy was very likely or likely to discourage tenants from increasing their earnings. In addition:

- 59.3 per cent said it was very likely or likely to discourage tenants from finding work
- 72.9 said it was very likely or likely to have a negative impact on the relationship between tenants and landlords
- 79 per cent said it was very likely or likely to increase the take up of right to buy when it is extended to housing associations.

- Chartered Institute of Housing. Key housing topics in 2016  
<http://www.cih.org/2016topics>

## Help to Buy scheme

Help to Buy is a government scheme for those who have a small deposit, when buying a home.

- **Equity loans** – available to first-time buyers and existing homeowners who want to buy a ‘new build’ house. The purchase price must be no more than £600,000.  
Under this scheme, you can borrow 20% of the purchase price interest-free for the first five years as long as you have a 5% deposit.
- **Mortgage guarantees** – available for new and old properties across the UK.
  - Government schemes for first home buyers  
<https://www.moneyadviceservice.org.uk/en/articles/help-to-buy-homebuy-and-other-housing-schemes>

## Right to Buy

Right to Buy is for tenants in England, Wales and Northern Ireland who rent their home from their local council. It allows tenants, who qualify, to buy their home at a discount. The size of the discount varies depending on where you live and the type of property you want to buy. In most cases, tenants will need to have rented from the public sector (i.e. local council or housing association) for three years before they can buy under these schemes. In 2016, the Right to Buy scheme is getting extended to include housing association tenants in England. From May 2015, the eligibility criteria has also changed reducing the requirement of 5 years public sector tenancy to 3, making thousands more tenants eligible for Right to Buy.

Extending the right to buy to housing association tenants, offering discounts worth up to £102,700 in London and £77,000 in the rest of England, but not in Scotland or Wales, where right to buy is being abolished. There are around 2.5 million housing association tenants, and of those around 1.3 million have lived in the property for three or more years and would be given the opportunity to buy. The Conservatives will also require councils to sell the most valuable 200,000 homes from their remaining stock. Cash from the sale proceeds will, say the Conservatives, be used to create a £1bn Brownfield Regeneration Fund “to unlock 400,000 new homes on brownfield land”.

- Government schemes for first home buyers  
<https://www.moneyadviceservice.org.uk/en/articles/help-to-buy-homebuy-and-other-housing-schemes>
- What is right to buy <https://righttobuy.gov.uk/about-right-to-buy/>

## Criticism of Right to Buy

It is evident from the Northern Ireland's experience that the 'one size fits all' approach is not working and that certain homes need to be protected. Replacing homes on a 'like for like' basis is very difficult to achieve, particularly in rural and high demand areas where social housing is already under pressure. We also need to protect homes which are purpose-built for people with disabilities. They are in high demand and are very costly to replace. If we can't replace them, people will remain on the social waiting list for longer periods which can only have a negative

impact on their health and wellbeing. We recommend that the UK Government ensures that certain types of properties are exempt from sale to keep them available for tenants who need them.

Then there is the issue of affordability. We believe there is a moral duty to ensure that tenants are fully aware of the financial implications of buying a home, including on-going costs. We'd like policy makers to take this on board and make sure that housing associations are able to support tenants who may struggle to deal with an altered financial situation.

Replacing homes sold is clearly a major problem. The Housing Executive has sold almost 119,000 homes and historically has never been able to replace them at anywhere near the rate needed. Significant numbers of these homes have ended up in the private rented sector, being let to tenants receiving housing benefit, which doesn't represent good value for money. Our survey found that only 40 per cent of housing associations have been able to replace the homes they sell in Northern Ireland, and the vast majority aren't replacing the homes they sell due to location, type and finance. There have been cases of housing associations selling for less than the property cost to build due to market value. As such, the rate of discount is an extremely important consideration – in Northern Ireland it's capped at £24,000.

But [analysis from the Chartered Institute of Housing](#) shows that local authorities could be left with no money to replace the homes they are forced to sell to fund the policy.

The [research](#) indicates that:

- Between 2,100 and 6,800 'high-value' council homes are likely to become empty and be sold each year – compared to the government's estimate of 15,000
- Those sales would generate between £1.2 billion and £2.2 billion a year – compared to the government's estimate of £4.5 billion
- Around 1.45 million housing association tenants would be eligible for right to buy during the first five years of the policy, with around 10 per cent (145,000) likely to take advantage
- £1.2 billion would be around half the amount needed to compensate housing associations for homes sold under the scheme – housing associations would need almost all of the higher £2.2 billion estimate, leaving virtually nothing for councils to replace the homes they have sold or for the brownfield regeneration fund.

- Chartered Institute of Housing. Key housing topics in 2016  
<http://www.cih.org/2016topics>

### **Will this reduce the number of homes available for social housing?**

Almost inevitably. The Conservatives say every house purchased will be replaced “on a one-for-one basis” with more affordable homes and no one will be forced to leave their home. But the National Housing Federation, which represents housing associations, says that since 2012 only 46% of properties sold under recent right-to-buy legislation have been replaced. According to the Department for [Communities](#) and Local Government itself, 1.88m council homes in England have been sold since right to buy was introduced in 1980 by Margaret Thatcher – 37% of the

total stock of council homes – while local authorities have built just 345,000 homes over the same period.

Most housing associations have told the National [Housing](#) Federation that they expect to only replace half the homes currently being lost to right to buy, with one in 10 saying they don't expect to be in a position to replace any at all.

The [national waiting list for social housing](#) in England now stands at 1.36m households, covering around 3.4 million people.

- What is right to buy <https://righttobuy.gov.uk/about-right-to-buy/>

## Shared ownership

Shared ownership is where you buy a share of a home from the landlord, who is usually the council or a housing association, and rent the remaining share. The eligibility restrictions on the shared ownership have lifted. So, from April 2016 anyone who has a household income of less than £80,000 (outside London) or £90,000 (inside London) can buy a home through shared ownership.

- Government schemes for first home buyers  
<https://www.moneyadviceservice.org.uk/en/articles/help-to-buy-homebuy-and-other-housing-schemes>

## Criticism of shared ownership

Is there a downside to the shared ownership model? According to the government funded Lease Advisory Service, shared ownership rents are 3% of the value of the total share of the property owned by the landlord. For instance if you owned 50% of a property worth £250,000, your rent would be 3% of £125,000 or £3,750 per year. That sum increases by a contractually agreed percentage rate which is more than inflation every year. You would also have a £125,000 mortgage to service, often at a higher interest rate than for ordinary mortgages. And major repairs are the sole responsibility of the shared ownership buyer. This means shared ownership is not necessarily that cheap.

- Investigation into housing crisis  
<https://www.thebureauinvestigates.com/category/projects/the-housing-crisis/>

## First Steps London

This scheme aims to help low and modest income earners buy or rent at a price that's affordable. You part buy and part rent the property – mostly for newly-built homes but some resale properties are included. There are eligibility criteria around earnings and you can't buy a home on the open market.

- Government schemes for first home buyers  
<https://www.moneyadviceservice.org.uk/en/articles/help-to-buy-homebuy-and-other-housing-schemes>

## Starter Home scheme

The Housing and Planning Act 2016 has now completed its passage through parliament and received royal assent. Among other things, it provides the necessary legislation to require house builders in England to begin developing ‘starter homes’ See: *Starter homes Chartered Institute of Housing*

The Starter Home scheme is a new government plan where 200,000 new build homes are available to first-time buyers under 40 years old with a minimum of 20% off the market price. Britain just earmarked £1.2 billion to directly commission 30,000 affordable new homes on brownfield sites by 2020, part of a target of 200,000 new homes in total.

The discounted price for these homes should be priced no more than £250,000 outside London, and £450,000 in London.

- Government schemes for first home buyers

<https://www.moneyadviceservice.org.uk/en/articles/help-to-buy-homebuy-and-other-housing-schemes>

**Criticism of starter homes** - Charity Shelter says that the scheme will only work for those who are well off and not planning to start a family. Only those earning more than £50,000 a year will be able to afford to buy one of David Cameron’s 200,000 new “starter homes”, according to housing charity Shelter, with the figure rising to £77,000 in London. For those who will be on the new living wage of £9 an hour in 2020, the homes will only be affordable in just 2 per cent of councils. The research undermines Mr Cameron’s pledge to help young people by turning "generation rent to generation buy".

- David Cameron plan only affordable to higher earning

<http://www.independent.co.uk/news/uk/politics/david-cameron-s-solution-to-the-housing-crisis-only-affordable-to-those-who-earn-more-than-50000-a6684246.html>

There is a risk that homes for social rent and shared ownership would be squeezed out and replaced by Starter Homes, without any guarantee of a net increase in overall housing supply. We also noted that the Starter Homes discount brings additional money into the system which risks inflating land prices, except where public land is involved.

Criticism by Chartered Institute of Housing - One is that it undermines the government’s often-stated commitment to localism and to planning decisions being taken at a local level, with the involvement of local communities. Councils in different parts of the country are operating in extremely different housing markets and both the level of demand for starter homes and the impact of providing them on the viability of developments will vary considerably. A single, straight-forward quota applied across the whole of England fails to recognise this and will reduce both councils’ and communities’ ability to have a say in the types of housing that are provided in their area.

The second is that the level at which the government is considering setting this requirement is very high. The consultation paper gives 20 per cent of homes on all sites as government’s

preferred option, with 15 or 25 per cent also offered as possible alternatives. However, it also recognises that on most sites a 20 per cent starter homes requirement would leave very little scope for other forms of affordable housing, including housing for rent, to also be included. In many cases, therefore, starter homes would be the only form of affordable housing provided.

We know that even with a 20 per cent discount, starter homes are likely to remain out of reach for many people. [Savills and the Local Government Association](#) have estimated that in more than half of all council areas in England an average earner with a five per cent deposit would be unable to afford to buy an average home with a 20 per cent discount. Even with a 20 per cent deposit and a 20 per cent discount, an average starter home would still remain unaffordable in around a quarter of all areas.

Therefore, starter homes will not be affordable for all and must be provided alongside, rather than instead of, other forms of affordable housing. The danger with the government's proposed approach is that many of their 200,000 starter homes will not be additional homes, over and above those that would have been built anyway. Instead, they will directly replace homes which would otherwise have been built for rent, and while they will certainly benefit some aspiring first time buyers this will be to the detriment of others.

- Starter homes Chartered Institute of Housing [http://www.cih.org/news-article/display/vpathDCR/templatedata/cih/news-article/data/Starter\\_homes\\_cih\\_view](http://www.cih.org/news-article/display/vpathDCR/templatedata/cih/news-article/data/Starter_homes_cih_view)

To speed things up, the first five new projects will be built on government land—ex-military sites, a goods yard, and a former hospital—in Southeast England. Given that someone on median salary (£26,500, or \$39,000) cannot afford to buy a property in [91 percent](#) of the country, the plan should ease the U.K.'s desperate affordable housing drought at least a little.

But just how much relief it will provide is a tricky question. On closer look, the plan seems somewhat less promising, partly because its use of the term “affordable” is so optimistic as to be meaningless. The new homes prices will be capped at £250,000 (\$368,000) outside London and £450,000 (\$663,000) within it—around 80 percent of the market rate. They will thus still be far beyond the means of the average person, who would need to have saved a [deposit of £55,000](#) to secure the loan on a non-London starter home. Those that can manage that cost, meanwhile, will be free to sell their home after five years, pocketing the 20 percent cut themselves before putting the place on the market.

Elsewhere in the same bill, the government plans to shrink the country's current store of public housing—normally built by local, not national authorities—pushing it onto the open market. Lifetime rental contracts for public housing will be [cancelled](#) and replaced with those running two-to-five years. And anyone in public housing earning more than £30,000 (or £40,000 in London) will have to rent at market rates.

- The cracks in Britain's starter home scheme <http://www.citylab.com/housing/2016/01/uk-britain-affordable-housing-plan/422721/>



## Europe Investment Bank loan

The European Investment Bank has agreed to provide GBP 1 billion for new social housing investment across the UK in partnership with the Housing Finance Corporation (THFC). The expanded Affordable Housing Finance programme will help to alleviate shortages in affordable housing and accelerate construction of new build social housing.

The new engagement represents the largest ever support for social housing by the European Investment Bank anywhere in Europe and follows the successful allocation of a previous GBP 500 million loan, signed in December 2013, under the Affordable Housing Finance initiative, to registered providers of social housing in the UK. The 30 year long-term EIB loan will be matched by THFC, and benefit from a government guarantee, and support GBP 2 billion of overall investment in new social housing and urban regeneration schemes by housing association across the country.

Over 20,000 new affordable homes backed by EIB are expected to be built under the initiative and local housing associations expected to build new affordable properties range from some of the largest London based housing associations to community based associations in areas as diverse as Glasgow, Wigan, Scarborough, Bradford, and Cambridge.

- GBP 1 billion EIB backing for affordable housing  
<http://www.eib.org/infocentre/press/releases/all/2016/2016-100-gbp-1-billion-european-investment-bank-backing-for-uk-social-housing.htm>

## Criticism of recent government policy by councils

- ‘In London where even the most modest homes sell for hundreds of thousands of pounds this may eventually lead to nearly every council property in some parts of the city being sold,’
- ‘In the short term this will mean there are fewer affordable properties available to let to families on council waiting lists and in temporary accommodation across London.
- In the longer term, it could make it harder for Housing Association to build extra properties. Even boroughs that have ambitious building programmes may find that it becomes uneconomic to do so if the new homes have to be sold before anyone on the waiting list has a chance to live in them.’

### 93% of councils do not think that Starter Homes will address affordable housing need

- Almost 80% of local councils do not think that Starter Homes should be classified as affordable housing and only 7% of councils think they will address the need for affordable housing in their local authority areas
- Over two thirds anticipate that they will be building less social and affordable housing as a result of the Government’s plans to reduce social rents by 1% a year for the next four years
- 96% of councils described their need for affordable homes as severe or moderate
- Nine out of 10 councils are concerned that the extension of the Right to Buy to housing association tenants will mean that there will be less socially-rented homes available
- 53% of respondents are from Conservative controlled councils

- <http://www.propertywire.com/news/europe/uk-affordable-homes-councils-2016051611915.html>
- <http://www.tcpa.org.uk/resources.php?action=resource&id=1282>
- <http://www.apse.org.uk/apse/index.cfm/news/2015/lets-house-the-nation/>

## **Developers outmanoeuvre councils over affordable quotas**

Private property developers are outmanoeuvring councils in housing negotiations and routinely delivering fewer affordable homes than town halls want, an industry analysis has revealed.

Amid growing anger at the sale to foreign buyers of almost two-thirds of London's tallest residential skyscraper, which includes no affordable housing, it has emerged that not one London borough that set targets has met them in the last six years.

Councils sometimes secured as little as 13% affordable housing when their stated targets were as high as 50%, according to analysis commissioned by BNP Paribas Real Estate, which advises local authorities and housebuilders in negotiations. On average, the 34 boroughs achieved 22% affordable housing, on targets ranging from 30% to 50%.

A key factor has been the rising value of land for commercial use, which has made developers more willing to abandon housing schemes and turn sites over to more profitable office buildings, the research suggests.

New London mayor, Sadiq Khan, who has pledged to dramatically boost affordable housing, revealed on Wednesday that only 13% of the homes given planning consent in London last year were affordable. He has said his "long-term strategic target" is half.

If Khan moves too fast to reintroduce that 50% target, he risks stalling housing development completely, experts have warned. Move too slowly and he will face anger from his electorate, who voted him in with a mandate to tackle the housing crisis.

May 2016

- UK developers avoid providing affordable housing  
<http://www.theguardian.com/society/2016/may/25/housing-crisis-affordable-homes-vanish-as-developers-outmanoeuvre-councils>

### **Criticism by Bureau of Investigative Journalism investigation**

- Only 40% of large housing developments in the UK's biggest cities meet affordable housing targets
- None of Birmingham's biggest housing developments meet its 35% affordable housing target
- A major London development includes under 17% affordable housing despite some hopes it could reach 35%
- Over 2,300 affordable homes cut from housing schemes after sign-off

- At least 50% of housing schemes failed to meet local affordable housing targets in Bristol, Bradford, Cardiff, Manchester and Sheffield.
  - Government-funded schemes building 33% less affordable homes than when the Coalition came to power
- Investigation into housing crisis  
<https://www.thebureauinvestigates.com/category/projects/the-housing-crisis/>

## Initiatives by London councils

- The **London Borough of Newham** has an ambitious plan to support 40,000 new homes between 2011 and 2027. The borough has established its own company to develop, deliver and acquire new homes for private rent. Red Door Ventures has recently completed a pilot development at the Leather Gardens estate of 36 new two-bedroom homes.
- **Westminster City Council** acts as both developer and development partner, with its part-owned subsidiary Westminster Community Homes (WCH) undertaking new-build schemes, infill development and residential conversions. WCH now has a portfolio of more than 400 affordable homes (a mixture of new-build and existing stock purchases). The council's ALMO, CityWest Homes, provides development management services to the council and WCH to support the delivery of new housing. This income also cross-subsidises its core housing management service.
- **Wandsworth Council** has delivered nearly 250 new homes through its 'hidden homes' initiative, which identifies disused or problematic spaces on the borough's estates and redevelops them as new housing for rent or shared ownership. Wandsworth aims to support the delivery of at least 18,000 new homes in the borough over the next decade and to provide 5,000 homes prioritised to meet resident demand. A key part of the strategy is the 'Wandsworth Rent Model', which will deliver low-cost rental housing and develop structured forms of private rental housing. The borough is also considering establishing up a Wandsworth Housing Company which will deliver private and intermediate rented homes.
- **London Borough of Hackney** became a national frontrunner in direct new housing delivery through estate regeneration, to the point where it has a concrete programme to deliver 2,000 new council homes by 2018. A particularly notable element of the council's estate regeneration programme has been its 'portfolio approach', giving it an opportunity to combine the finances of schemes with potential to generate a surplus with those that require net investment. To provide confidence that the programme is financially deliverable, a consolidated viability assessment has been carried out. Each of the projects that make up the programme has individual financial assessments.
- **Sutton** has decided to adopt a 'twin-track' approach to new housing. It uses borrowing headroom and right to buy receipts to support new homes in the housing revenue account, through three major sites and a range of garage sites. It also intends to develop using general fund resources through the creation of a housing company named Opportunity Sutton. The company is financed through prudential borrowing to deliver new housing in a range of tenures, with a particular focus on market rented accommodation.