

What went wrong?

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Over the past 40 years, the UK's housing surplus has become a shortfall. Michael Sander explores the causes of this national crisis and recommends some policy responses

An undersupply of housing in the UK over the past 4 decades has resulted in overcrowding, households having to share, insecure tenure, high rental payments relative to income, long journeys to school and work, and homelessness. The price of housing, which is high and rising relative to incomes, has also created problems for households wanting to become owner-occupiers.

Having recently completed a thesis on the housing crisis, I believe that the record of successive governments since 1980 is far from creditable, with a progressive abandonment of the structure and policy that would provide sufficient social housing. Coupled with private developers' failure to meet demand for owner-occupied housing, this is a prime cause of the massive real-term increases in house and land prices, creating an increasing affordability problem for first-time buyers.

Post-war push

The 1951 census recorded that there were 6.5% more households than dwellings, while 75% of households were living in substandard or overcrowded conditions, or were sharing.

However, all political parties supported a dynamic response to this situation and unprecedented levels of building were completed, with private development for owner occupation paralleled by vigorous local authority housebuilding programmes and 3 phases of post-war new towns. Although the poorly maintained private rented sector continued its decline, over 30 years the post-war housing shortage was substantially overcome, and large numbers of households obtained their own homes. By 1976, it was roughly estimated that the number of dwellings exceeded households by 3.5%.

This combination of private and public efforts is the only system that has worked successfully to overcome the UK's housing shortage. Since 1919, a huge asset base of local authority housing had been built up, and this was the foundation for the borrowing required to fund new housing development.

It was also the basis for the national Housing Revenue Account (HRA), which not only enabled affordable rents, thanks to cross-subsidy from those charged on earlier dwellings, but also the provision of social housing in the most expensive urban areas. Underpinning this strong position was the empowerment of local authorities in their housing, planning and financial functions.

The right to buy

In 1980 there was a change of emphasis, and policy focused on how the private system might respond to demand rather than assuming that housing needs should be met by the state. The [Housing Act 1980](#) introduced the right to buy in England and Wales giving council tenants the right to purchase their homes, and has remained unchanged for more than 35 years. It also dealt with the determination of sale price and levels of discount, which later rose to a maximum of 70% of the value. No commitment was made to re-use capital receipts for investment in housing or to replace the dwellings sold, and restrictions were imposed on councils' capacity to provide new social housing.

Since 1980, some 2.5m council homes have passed into private ownership, and virtually none of these have subsequently been made available to let on the private market at an affordable rent. In the same period, only 750,000 council and housing association homes have been built. Between 1979 and 2015, local authority tenures fell from being more than 30% of all homes, including those that are owner-occupied, to 7%. Although housing associations increased their share from 2% to 10%, the voluntary sector has proved unable to make a sufficient contribution to fill the gap.

A robust system that once ensured the provision of affordable social housing has thus been virtually destroyed. I have calculated that in 2016 the opportunity lost for social housing lettings by the introduction of the right to buy was running at 150,000 per annum. This compares to the 6,000 new social houses produced as part of a so-called affordable dwelling programme of 30,000 in 2016.

In 1981, some 58% of households were owner-occupiers. Even though this is the tenure favoured by central government, the figure grew by only 5% overall to 63% in the period from 1981 to 2014, mainly due to the rise in house prices relative to incomes, the levels of deposit required and the often restricted availability of mortgage finance.

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Effective urban regeneration will now require a movement away from 'welfare housing' and insecure tenure towards the creation of more diverse and integrated communities, broadening the eligibility for, and the availability of, council and housing association tenures. Such a strategy would reinforce other policies, including those for economic development and the stability of urban and rural communities.

Specialist types of provision or tenure such as starter homes, shared equity, self-build and rent-to-buy have not made a significant contribution to filling the gap between housing supply and demand. They may have competed with, and have often obscured, the clear need for new programmes of social and affordable housing. The policy initiatives of recent governments have benefited only selected sections of those who are in need, being mere palliatives and sometimes exacerbating unaffordable prices, and thus have not provided meaningful solutions.

A new national programme?

My research suggests that to replicate the successful 1945-80 approach now would require a new national programme that did the following.

National targets should be set for a new housebuilding programme that deals with need and demand in all tenures and seeks an annual completion rate of between 270,000 and 300,000 new dwellings. Within that total, the aim should be to achieve 110,000 affordable housing programme completions each year.

A system in which investment in an affordable and publicly owned housing stock ought to be progressively re-established, which is probably achievable over 2 to 3 full parliamentary terms. During that period, there could be a gradual redirection of public expenditure away from welfare and housing benefits towards investment in public-sector housing stock, held for the longer term and ensuring provision of social housing on the scale required.

The right to buy for council and housing association tenants should be repealed, as it has been in Scotland. Along with this, the rights of council and housing association tenants to enjoy tenancies, potentially for life, should be restored, the bedroom tax repealed, and the cut-off points for benefits reviewed. The terms of assured rental tenancies should also be altered to ensure that an initial 2-year term is granted, while the ability of local authorities to use section 106 agreements and the community infrastructure levy to support key land acquisition and compensation powers should be reinstated and centrally imposed HRA borrowing caps removed.

Appropriate councils ought to carry out analyses of housing supply and demand, evaluating needs over housing market areas, disaggregating overall figures on the basis of sub-region and sector, and identifying the housing requirement for private sale, private housing to rent and affordable and social housing in their areas.

Local authorities need re-empowering, preferably as part of a wider devolution process, to make them responsible for the comprehensive planning, programming and management of housing, and ensuring at least a 5-year supply of land for private- and public-sector development.

Housing association tenure ought to be encouraged, with confidence and certainty provided, where appropriate, by government offering guarantees to underwrite the necessary borrowing programmes for associations.

The structure and mechanisms of a national, overarching HRA should be re-established, and the role of the [Public Works Loan Board](#) reinstated, as the main source of the long-term borrowing required for a new national housing programme. Suitable early safety nets need to be provided, given that interest rates are soon likely to rise and have significant effects on mortgage arrears and foreclosures. Such measures would prevent any further decline in the level of owner-occupation.

Early progress should also be encouraged in the application of factory- and system-built technology for housebuilding through the procurement processes of central and local government and housing associations. The building industry must re-engage with apprenticeships and training as part of a national housing programme, and small builders should be assisted in getting access to land and finance, to fulfil the role they could potentially play in housing development.

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Further information

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