



## Availability and Affordability of Housing Debate on 12 October 2017

### Summary

On 12 October 2017, the House of Lords is due to debate a motion moved by Lord Smith of Leigh (Labour) “that this House takes note of the impact of Her Majesty’s Government’s policies on the availability and affordability of housing”.

This short briefing provides an overview of housing in the United Kingdom. It examines average property prices in the UK, and the provision of affordable housing in England and Wales since July 2010. This briefing also outlines a number of measures introduced by the Government with the intention of increasing both the supply and affordability of housing in England.

### Defining Affordable Housing

According to the [Homes and Communities Agency](#), an executive non-departmental body sponsored by the Department for Communities and Local Government, affordable housing can be defined as:

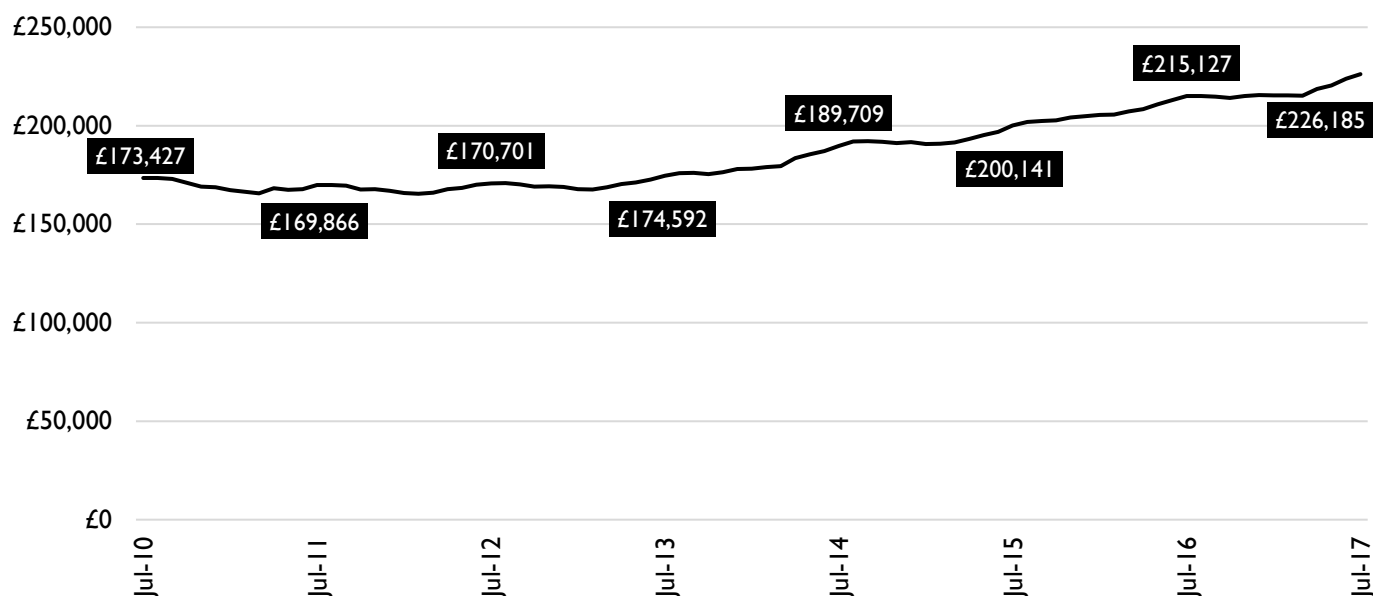
The sum of Affordable Rent, Social Rent, Intermediate Rent and Affordable Home Ownership (Shared Ownership and Rent to Buy). Affordable homes are defined in line with the [National Planning Policy Framework \(NPPF\)](#), published 27 March 2012, as housing units (or traveller pitches and bed spaces when describing a shared dwelling such as a hostel) provided to specified eligible households whose needs are not met by the market. Eligibility may be determined regarding local authority allocations policies, local incomes and local house prices depending on the type of affordable housing. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.<sup>1</sup>

In its housing white paper, published in February 2017, the Government outlined its intention to publish an amended definition of affordable housing as part of its changes to the *NPPF*.<sup>2</sup>

### Housing Statistics

As of July 2017, the average property price in the United Kingdom was £226,185. This represented an increase of £11,058 on the previous year. Chart 1 provides a breakdown of average house prices in the United Kingdom since July 2010. Using information provided by the UK House Price Index, table 1 shows the regional differences in average property prices throughout the United Kingdom. The highest average property prices were in London at £488,729, whilst the lowest prices were in the North East of England at £132,999. In addition, England had the highest average property prices at £243,220, whilst Northern Ireland had the lowest with £128,650.

**Chart 1: Average Property Prices in the United Kingdom, July 2010 to 2017**



(Source: Land Registry, [‘UK House Price Index’](#), accessed 4 October 2017)

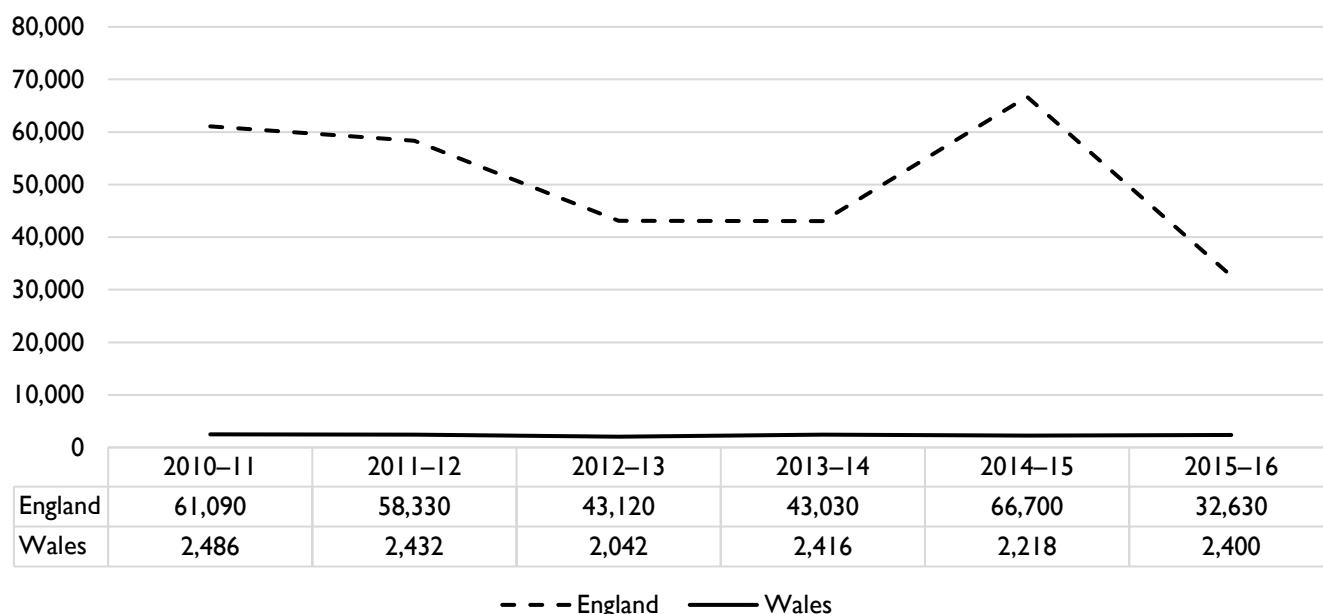
**Table 1: Average Property Prices by Region in the United Kingdom, July 2010 to 2017**

	2010	2011	2012	2013	2014	2015	2016	2017
North East	£123,348	£117,616	£117,137	£118,564	£121,279	£122,669	£127,710	£132,999
North West	£133,975	£130,275	£129,030	£129,713	£136,629	£141,510	£150,341	£157,427
Yorkshire and the Humber	£137,281	£131,165	£131,167	£131,471	£138,056	£144,733	£151,334	£158,220
East Midlands	£142,973	£140,060	£140,983	£142,534	£152,658	£161,180	£171,782	£184,676
West Midlands	£151,124	£146,184	£147,399	£150,343	£158,073	£166,016	£176,943	£189,077
London	£292,772	£295,843	£308,962	£332,988	£398,737	£431,644	£475,530	£488,729
South East	£224,554	£222,005	£226,770	£233,752	£257,701	£279,875	£309,069	£320,905
South West	£194,617	£191,264	£193,530	£195,066	£209,034	£220,044	£235,665	£252,213
England	£180,519	£177,164	£179,756	£184,274	£200,825	£213,518	£230,868	£243,220
Scotland	£135,444	£133,429	£127,491	£128,421	£135,161	£139,051	£142,294	£149,185
Wales	£134,036	£128,564	£129,342	£128,501	£135,571	£139,213	£146,353	£150,846
Northern Ireland	£132,164	£115,108	£102,086	£101,165	£109,116	£117,716	£124,730	£128,650
United Kingdom	£173,427	£169,866	£170,701	£174,592	£189,709	£200,141	£215,127	£226,185

(Source: Land Registry, [‘UK House Price Index’](#), accessed 4 October 2017)

Chart 2 sets out the number of affordable homes built in England and Wales from 2010/11 to 2015/16. The data reveals that in 2015/16, there was a decrease in the number of affordable houses being provided in England in comparison to 2014/15, with the number decreasing from 66,700 to 32,630. In contrast, the provision of affordable housing in Wales increased from 2,218 to 2,400 during the same period. Housing policy in Wales is devolved to the National Assembly for Wales.

**Chart 2: Additional Affordable Housing Provided in England and Wales, 2010/11 to 2015/16**



(Sources: England: Department for Communities and Local Government, [Affordable Additional Housing Statistics](#), 2 March 2017; and Wales: StatsWales, ‘[Additional Affordable Housing Provision by Provider and Year](#)’, updated 19 October 2016)

According to the *English Housing Survey 2015–16*, households in the private rented sector had the highest housing costs. The survey revealed that in 2015–16, the average (mean) rent for private renters was £184 per week. In comparison, the average (mean) weekly mortgage payment for the same period was less than in the private rental sector at £159 per week.<sup>3</sup>

## Government Policy

In order to increase both the supply and affordability of housing in England, the Government has introduced a number of measures alongside legislation. This includes the Help to Buy scheme, Housing Infrastructure Fund, Home Building Fund and the Housing and Planning Act 2016. The Government has also sought views on a number of changes to planning policy and legislation following the publication of its housing white paper in February 2017.

### Help to Buy Scheme

In 2013, the then Chancellor of the Exchequer, George Osborne, announced in his budget speech that the then Government would be creating a Help to Buy scheme to support first-time buyers.<sup>4</sup> As part of the scheme, buyers would be able to get a low-interest loan from the Government towards their deposit. However, to do so, buyers would need a 5 percent deposit, with the Government providing an equity loan of 20 percent or 40 percent on properties in London.<sup>5</sup> In September 2016, the current Chancellor of the Exchequer, Philip Hammond, announced that the scheme would be ending by the end of that year. He stated that with 30 commercial lenders offering 90 to 95 percent loans outside the scheme, the “specific purpose” of the scheme had been “successfully achieved”.<sup>6</sup>

In his speech at the Conservative Party conference on 2 October 2017, Mr Hammond announced that the Government would be extending the Help to Buy scheme. He told delegates that the Government would be spending an extra £10 billion in funding to provide loans under the scheme through to 2021. According to Mr Hammond, the extension would help an estimated 130,000 more homebuyers over the next few years.<sup>7</sup>

Responding to the Chancellor's announcement, the Executive Chairman of the Home Builders Federation, Stewart Baseley, supported the scheme, stating that it "hasn't just helped 200,000 people buy a home; it has helped them to buy a new build home which is, in turn, boosting supply and generating huge benefits for communities, councils and the Exchequer".<sup>8</sup> However, the Chief Executive of Shelter, Polly Neate, criticised the announcement, arguing that the scheme had "barely helped" first-time buyers. Ms Neate argued that Help to Buy had both "increased house prices and propped up a speculative development model in need of reform".<sup>9</sup> According to the Department for Communities and Local Government, since the launch of the Help to Buy scheme (April 2013 to 30 June 2017), approximately 134,558 properties were bought with a Help to Buy equity loan.<sup>10</sup>

### ***Housing Infrastructure Fund***

In his 2016 Autumn Statement, Philip Hammond announced the creation of the Housing Infrastructure Fund, with the Government allocating £2.3 billion towards building 100,000 new homes in areas of high demand in England. In July 2017, the Department for Communities and Local Government published further information about the fund, including its purpose and how local authorities can apply for funding. The Department outlined that the purpose of the fund was to:

- Deliver new physical infrastructure to support new and existing communities;
- make more land available for housing in high demand areas, resulting in new additional homes that otherwise would not have been built;
- support ambitious local authorities who want to step up their plans for growth and make a meaningful difference to overall housing supply; and
- enable local authorities to recycle the funding for other infrastructure projects, achieving more and delivering new homes in the future.<sup>11</sup>

The Housing Infrastructure Fund works by providing:

- 'Marginal viability funding' of up to £10 million to single and lower tier local authorities, where housing sites have been held back by high building costs.
- 'Forward funding' of up to £250 million to uppermost tier local authorities, which would provide the initial funding in a development scheme.

However, to be eligible for the fund bids from local authorities must provide evidence that the infrastructure is necessary to build new homes; have local support; and spend the funding by 2020/21.<sup>12</sup>

Following the 2016 Autumn Statement, the Chief Executive of the Chartered Institute of Housing, Terri Alafat, stated that the measures announced "demonstrate this is a Government which recognises housing is a key part of our infrastructure and that it brings economic benefits".<sup>13</sup> However, the Planning Campaign Manager at the Campaign to Protect Rural England, Paul Miner, outlined that although his organisation welcomed new funding, he questioned whether it would provide a fair share for rural communities, "where only 8 percent of the housing stock is affordable".<sup>14</sup>

## **Home Building Fund**

In October 2016, the Government announced the Home Building Fund. This would provide £3 billion in funding to private sector organisations involved in building new homes (development finance) and providing enabled sites ready for residential-led schemes (infrastructure finance). The key features of the fund were as follows:

- Loans of £250,000 to £250 million, “with smaller loans considered for innovative housing solutions and serviced plots for custom builders”.
- Typically, terms up to five years for developmental finance and up to 20 years for infrastructure loans.
- Finance available up to 31 March 2021.<sup>15</sup>

In order for organisations to be eligible for the Home Building Fund, there are several criteria that private sector organisations must meet. They include: applicants need to demonstrate that without funding, their scheme would not progress as quickly or at all; the borrower must be a private sector entity, which has majority control of a site; and development projects must build a minimum of five homes.<sup>16</sup>

According to the Chief Executive of the Federation of Master Builders, Brian Berry, the fund would “tackle one of the key barriers to small and medium sized enterprises (SME) house builders—a lack of access to finance”.<sup>17</sup> However, the Home Builders Federation contend that although it is too soon to judge how successful the fund will be in tackling such barriers, “it is unlikely to be of the scale to completely transform the environment for SMEs”.<sup>18</sup>

## **Housing and Planning Act 2016**

In its manifesto ahead of the 2015 general election, the Conservative Party made a commitment to deliver an increase in the supply of housing across the rented, social and ownership sectors. Subsequently, the Housing and Planning Bill was introduced in the House of Commons on 13 October 2015. The Bill included measures to extend the Right to Buy scheme, first introduced in the 1980s, to housing association tenants. This would be funded from the income generated by local authorities selling higher value homes—should they choose to do so—as they become vacant. In addition, the Bill included requirements for local planning authorities to provide starter homes for first-time buyers aged between 23 and 40, made available at a price which is at least 20 percent less than the market value. However, the Bill stated that the maximum price for starter homes would be capped at £250,000 for properties outside Greater London and at £450,000 inside Greater London.

Reacting to the Bill ahead of its second reading in the House of Commons, the National Housing Federation stated that it “welcome[d] the Government’s ambition to find innovative ways to increase house building and help people into home ownership”. In particular, the National Housing Federation said that it was “pleased” that the Bill did not include a “legislative obligation” on housing associations to sell their homes through Right to Buy or any other mechanism.<sup>19</sup> In contrast, the housing union, Unison, argued that the Bill contained a number of “controversial measures”, including extending the Right to Buy scheme and the possible sale of higher value council homes, which they contended would “only worsen the housing crisis”.<sup>20</sup>

The Bill gained royal assent on 12 May 2016 to become the Housing and Planning Act 2016. However, some aspects of the Act are not yet in force.

## **Housing White Paper and Supporting Consultations**

In February 2017, the Government published a housing white paper for consultation, entitled [Fixing Our Broken Housing Market](#), which set out a number of proposals that it was consulting on in order to reform the housing market and increase the supply of new homes. The proposals in the white paper included the following:

- Amending the *NPPF* to give local authorities the opportunity to have their housing land supply agreed on an annual basis, and fixed for a one year period.
- Options for introducing a standardised approach to assessing housing requirements and on making it easier for Build to Rent developers to offer affordable private rental homes.
- Introducing a new housing delivery test to ensure local authorities are held accountable for their role in ensuring new homes are delivered in their area.<sup>21</sup>

The consultation period ran from February to May 2017. The Government has yet to respond to the summary of responses.

Following the publication of the white paper, the Senior Policy Officer at the British Property Federation, Will Bushby, stated that his organisation “warmly welcomes the white paper” and that although there was “still quite a way to go” to get local authorities and planners to understand the build to rent models, the proposed changes were “a promising start”.<sup>22</sup> In contrast, the Joseph Rowntree Foundation contended that whilst the white paper demonstrated that the Government “recognises the scale of the problem”, the proposals “could go further”.<sup>23</sup> Subsequently, it proposed a “long-term strategy to build more affordable homes of all types” and the development of a Living Rent framework. The Living Rent framework would deliver new homes for rent based on a starting figure set at 28 percent of gross local lower quartile earnings figure in the United Kingdom.<sup>24</sup>

Following the proposals in the white paper to amend the *NPPF*, on 14 September 2017 the Government ran a consultation setting out proposals on reforming the planning system to increase the supply of new homes and increase local authority capacity to manage such growth. Proposals included:

- Creating a standard method for local authorities to calculate housing need.
- Setting out in the *NPPF* that all local planning authorities should produce a statement of common ground, to support joint working where planning issues need to be addressed by more than one local planning authority.
- Guidance as to how neighbourhood planning groups could have greater certainty on the level of housing need that they would need to plan for.<sup>25</sup>

The consultation is set to end on 9 November 2017.

## **General Election Manifesto Commitments and Party Conference Speeches**

In its manifesto for the 2017 general election, the Conservative Party pledged to meet its 2015 commitment to deliver a million homes by the end of 2020, and half a million more by the end of 2022. In addition, it committed to delivering the measures outlined in the [Fixing Our Broken Housing Market](#) white paper.

On 4 October 2017, the Prime Minister, Theresa May, made a speech to delegates at the Conservative Party conference. In the speech, Mrs May announced that the Government would be investing an additional £2 billion in affordable housing, which the Government contends could supply approximately 25,000 homes “at rents affordable for local people”.<sup>26</sup> In response to the announcement, the Chief Executive of the National Housing Federation, David Orr, stated that the investment would “make a real difference to those let down by a broken housing market” and that building homes for social rent would “help bring down the housing benefit bill in the long run by moving people out of costly private lets”.<sup>27</sup> In contrast, the Chief Executive of Shelter, Polly Neate, stated that although the Prime Minister’s announcement was “welcome”, she argued that “the reality is that with over 1.2 million households on waiting lists already, this is only a fraction of the long-term investment required”.<sup>28</sup>

The Labour Party pledged in its 2017 manifesto to build at least 100,000 council and housing association homes for rent or sale every year. It also committed to establishing a Department for Housing, tasked with improving the “number, standards and affordability of homes”.<sup>29</sup> Further to the proposals outlined in their manifesto, the Leader of the Labour Party, Jeremy Corbyn, announced in his party conference speech on 27 September 2017 that Labour would be launching a review of social housing policy, including its building, management, planning and regulation. Mr Corbyn outlined that regeneration of social housing under a future Labour government would involve people living on a redeveloped estate getting a home on the same site, under the same terms as before, with councils having to win a ballot of existing tenants and leaseholders before any redevelopment takes place.<sup>30</sup>

In the Liberal Democrats’ manifesto for the 2017 general election, the Party pledged to reach a housebuilding target of 300,000 homes a year by 2022, including half a million affordable and energy-efficient homes.<sup>31</sup> In his speech to the party conference on 19 September 2017, the Leader of the Liberal Democrats, Vince Cable, outlined several policies that his Party would introduce if it was in government. They included protections for rural communities facing the threat of second home ownership and a pledge to double the annual housing supply to buy and rent.<sup>32</sup>

### Further Information

- House of Commons Library, [What is Affordable Housing?](#), 29 August 2017; and [Stimulating Housing Supply—Government Initiatives \(England\)](#), 9 June 2017
- Chartered Institute of Housing, [UK Housing Review 2017](#), 7 March 2017
- House of Lords Library, [Quality and Affordability of Housing in the United Kingdom](#), 3 October 2016

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- <sup>1</sup> Homes and Communities Agency, [Housing Statistics: 1 April 2016–31 March 2017](#), 19 June 2017, p 14.
- <sup>2</sup> Department for Communities and Local Government, [Fixing Our Broken Housing Market](#), 6 February 2017, p 99.
- <sup>3</sup> Department for Communities and Local Government, [English Housing Survey: Housing Costs and Affordability, 2015–16](#), July 2017, p 3.
- <sup>4</sup> HM Treasury, [Budget 2013: Chancellor's Statement](#), 20 March 2013.
- <sup>5</sup> Gov.uk, [Affordable Home Ownership Schemes](#), accessed 3 October 2017.
- <sup>6</sup> Helen Cahill, [Chancellor Philip Hammond to Close Help to Buy Mortgage Guarantee Scheme at End of 2016](#), *City AM*, 29 September 2016.
- <sup>7</sup> Conservative Party, [Hammond: Conference Speech](#), 2 October 2017.
- <sup>8</sup> Home Builders Federation, [Housing Pipeline Help to Buy Q2 2017](#), 29 September 2017.
- <sup>9</sup> Jasper Jolly, [Theresa May's Help to Buy Extension to Deliver Big Boost to Housebuilders](#), *City AM*, 1 October 2017.
- <sup>10</sup> Department for Communities and Local Government, [Help to Buy \(Equity Loan scheme\) and Help to Buy: New Buy Statistics—Data to 30 June 2017, England](#), 28 September 2017.
- <sup>11</sup> Department for Communities and Local Government, [An Introduction to the Housing Infrastructure Fund](#), 4 July 2017, p 4.
- <sup>12</sup> *ibid*, p 8.
- <sup>13</sup> Chartered Institute of Housing, [Focus on Housing in Autumn Statement 'a Big Step in the Right Direction'](#), 23 November 2016.
- <sup>14</sup> Campaign to Protect Rural England, [Housing in the Autumn Statement: CPRE's Reaction](#), 23 November 2016.
- <sup>15</sup> Homes and Communities Agency, [An Introduction to the Home Building Fund](#), 4 October 2016, p 5.
- <sup>16</sup> *ibid*, p 7.
- <sup>17</sup> Federation of Master Builders, [New Funding for SME Builders Will Ease Housing Crisis](#), 3 October 2016.
- <sup>18</sup> Home Builders Federation, [Reversing the Decline of Small Housebuilders: Reinvigorating Entrepreneurialism and Building More Homes](#), 24 January 2017.
- <sup>19</sup> National Housing Federation, [Member Briefing on the Housing and Planning Bill](#), October 2015, pp 4 and 7.
- <sup>20</sup> Unison, [Unison Briefing: The Housing and Planning Act 2016](#), 12 August 2016, p 5.
- <sup>21</sup> Department for Communities and Local Government, [Fixing Our Broken Housing Market](#), 6 February 2017, pp 18, 24 and 90.
- <sup>22</sup> British Property Federation, [The Welcome Launch of the Housing White Paper](#), 8 February 2017.
- <sup>23</sup> Joseph Rowntree Foundation, [JRF Response to the Housing White Paper Consultation](#), 11 July 2017, p 2.
- <sup>24</sup> *ibid*, p 3.
- <sup>25</sup> Department for Communities and Local Government, [Planning for the Right Homes in the Right Places: Consultation Proposals](#), 14 September 2017.
- <sup>26</sup> Department for Communities and Local Government, [£2 Billion Boost for Affordable Housing and Long Term Deal for Social Rent](#), 4 October 2017.
- <sup>27</sup> National Housing Federation, [National Housing Federation's Response to Theresa May's Announcement on Social Housing](#), 4 October 2017.
- <sup>28</sup> Shelter, [Shelter's Response to Prime Minister's Announcement on Social Housing](#), 4 October 2017.
- <sup>29</sup> Labour Party, [The Labour Party Manifesto 2017](#), 16 May 2017, p 70.
- <sup>30</sup> Labour Party, [Jeremy Corbyn Speech to the Labour Party Conference](#), 27 September 2017.
- <sup>31</sup> Liberal Democrats, [Liberal Democrat Manifesto 2017](#), 17 May 2017, p 57.
- <sup>32</sup> *Spectator*, [Vince Cable's Conference Speech: Full Text](#), 19 September 2017.

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