

Housing Policy: A More Coherent Approach

The current housing crisis

Our current housing crisis has many facets. There are too few homes for everyone, those there are can be unaffordable, and intergeneration inequalities in housing costs and wealth are more pronounced than at any other time in the postwar era. Meanwhile home ownership is falling, while the insecure private rented sector has doubled in size since the turn of the century – and now accommodates almost 20% of households.

Of course we need to build more new homes—but this will not of itself solve these parallel crises. It is critical that we use what we have more efficiently and align taxation more closely to our housing objectives.

Towards a more coherent and consistent housing policy

Housing policy governance is increasingly complex, involving several departments of state a number of other agencies, most notably the Bank of England. Housing policy, if it is to work, must be coherent and consistent across all of them. Unfortunately it is not.

Over the last few months, we have seen a number of changes in housing policy. Some have been worthwhile: e.g. unfreezing the local housing allowance from next April will help many poorer private tenants. Others, however, have made things considerably worse. These include the delay in improving security of tenure for private tenants and particularly making local new build targets advisory while keeping the national target in place with no obvious means of ensuring the homes actually get built.

Developing a new Road Map

In our January 2024 report for the Family Building Society, '[A Roadmap to a Coherent Housing Policy](#)', we suggest a way forward. Accepting that the current economic environment is particularly difficult, we must build on what is immediately possible and build on this towards a better way of doing things in the medium and longer term.

A road map for housing must have two distinct strands:

1. *Helping government as a whole understand how new macro-economic and other policies affect housing, and improving the alignment of government policies and departments;*
2. *Showing how the existing housing system can be made more coherent and consistent, and its resources more effectively employed. We have looked at each tenure in turn and identified a number of current inconsistencies and opportunities. At least some of these could be addressed by immediate measures within the first year or so of a new parliament.*

Architects of housing policy must accept that the first objective of the Bank of England and the Treasury is macro-economic stability, which is in any case a prerequisite for achieving housing objectives. Even so, both the Bank and the Treasury must take account of the impact of their policies on housing when making their decisions; it is not clear that this always happens. DLUHC should cultivate close and positive relationships with the other departments whose policies impinge on housing. In particular, decisions by the Department of Work and Pensions directly affect affordability for a large proportion of tenants as well as impacting heavily on the costs to local authorities of meeting the needs of homeless households.

Most discussions of housing policy focus mainly on how to increase new build. But while building more new homes is absolutely necessary, new construction adds at most about 1% to the housing stock each year. Hence we also need to realise the big and more immediate gains that can be made from using the existing stock more efficiently. Our initial proposals build on changes to which government and other responsible agencies are already committed or measures which have been tried and tested in other contexts.

In the short term the following changes would help produce more new housing, improve the use of the existing stock and help make housing more affordable:

- *Complete local plan coverage showing where new homes can be built – as now provided for in the Levelling Up & Regeneration Act – and make new targets mandatory for local authorities;*
- *Provide help to expand sub-market home ownership e.g. by supporting Shared Ownership and First Homes policies;*

- *Simplify S106/CIL to ensure more effective provision of social and affordable homes and infrastructure;*
- *Deploy the tax system more effectively to improve the use made of the housing stock, starting with taxing second homes and properties used mainly for short term lettings;*
- *Enact a functional version of the Renters Reform Bill which will ensure greater security for tenants, but also include a clear index- based in-tenancy rent adjustment mechanism which reduces uncertainty for tenants and landlords alike.*
- *Waive SDLT for downsizing 'elders' to encourage them to free up family-sized homes. At the same time ensure that more new-build properties are suitable for down/right sizers.*

All of these suggestions are already under discussion so our short-term objective is to bring existing proposals together into a more coherent and consistent package. While some require additional resources, others raise funds and still others are investing in the future.

Into the medium and longer term it is necessary to build cross-department and if possible cross-party agreement about objectives, priorities and feasible ways forward. Policies should aim to shape a more effective and distributionally acceptable use of the existing stock at the same time as ensuring land and necessary infrastructure are available for housing developments.

To achieve this, local authorities must be sure of a stable flow of funds from local taxation. Council tax bands should be adjusted to relate more closely to current values. This would provide a fairer and more buoyant source of local government revenue. It needs to be done as soon as possible so the benefits for housing and local government can be realised quickly.

Housing is a major part of the overall economy. It is also fundamental to ensuring household welfare and productivity. A more coherent approach to developing housing policy is the least we can ask.