

BRIEFING NOTE

West Midlands Combined Authority: KEY HOUSING CHALLENGES

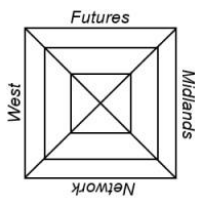
INTRODUCTION

This briefing note sets out key housing challenges in the West Midlands Combined Authority (WMCA) area of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton. It is based on wider research by the Futures Network West Midlands (FNWM) and the Human City Institute (HCI) to raise the profile of housing issues in the WMCA area and the contribution housing makes to growing the regional economy and boosting prosperity. The key housing challenges described in the briefing note are not unique to the WMCA area but are replicated across the country (although with variation in the extent of challenges between regions).¹

KEY FINDINGS

- **The WMCA's housing stock has only increased marginally over recent years. Home ownership has gone into decline, private renting has doubled and the number of social rented homes available to confront the housing crisis is lower than in previous decades.**
- **Housing demand in the WMCA area is rising as the rate of household formation accelerates and a backlog of demand and needs builds. Housing supply lags behind this demand, although there are signs of an increase in housing completions, more conversion of offices into residential spaces and bringing empty homes back into use all provide solutions.**
- **The number of households on waiting lists in the WMCA, and statutory homelessness figures, remain high. Rough sleeping and the use of temporary accommodation are now climbing. In situ housing needs persist – especially overcrowding, indecent housing and fuel poverty.**
- **Housing affordability in the home ownership sector and private renting continue to be a barrier to people in the WMCA area obtaining housing. Even though affordability problems are not as severe as in the South-East and the South-West, they are more entrenched than in the North of England. Over the last two decades, the average house price has risen almost four times average earnings growth and six times the rate of inflation.**
- **The government's Housing White Paper, released on 7th February, appears to emphasise more affordable and secure renting over home ownership; to propose ways to accelerate house-building; and to underscore a 'whole stock' approach that seeks to bring empty homes back into useful life and incentivise older households to downshift. However, there are doubts whether the Housing White Paper meets the challenges of a deepening housing crisis.**

¹ Data for this briefing note is drawn mainly from the Department of Communities and Local Government (DCLG), Censuses of Population over the last thirty years, and the Land Registry.



THE HOUSING STOCK IN THE WMCA

Total Homes

- The WMCA has a dwelling stock of more than 1.1m homes – an increase of just 3% over the last decade: 77% are privately owned (home ownership or private renting), while just over 23% are social rent (council at 13%, housing association at 10%) – see table (a) below. Almost 39% of homes are located in Birmingham. Solihull has fewest homes within the WMCA (at 8%).

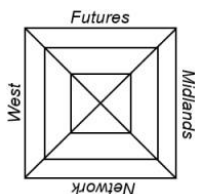
Table (a) – WMCA HOUSING STOCK BY TENURE

	Total Homes	Private Sector	Council	Housing Assocs
Birmingham	429,600	75.2%	14.9%	9.8%
Coventry	136,980	81.9%	0.1%	18.0%
Dudley	136,630	80.0%	16.5%	3.5%
Sandwell	129,710	72.0%	22.7%	5.4%
Solihull	89,640	85.4%	11.4%	3.2%
Walsall	113,350	75.4%	0.0%	24.5%
Wolverhampton	108,140	73.2%	21.2%	5.6%
WMCA	1,114,050	76.9%	13.0%	10.1%
England	23,543,000	82.4%	7.2%	10.4%

- The WMCA has greater stocks of social housing than in England over all, and below the national average for privately owned homes. There is considerable variation in tenure patterns across the WMCA, with privately owned homes ranging from 73% in Wolverhampton to 85% in Solihull. Some local authorities no longer own and manage council housing (for example, Walsall and Coventry because of stock transfer) whereas Sandwell (at 23%) and Birmingham (at 15%) still have large council housing stocks.
- There are 28,451 empty homes in the WMCA area. Although this is down considerably from the 41,577 recorded a decade ago (partly due to government programmes and local authority actions to reduce empties) the number of empty homes, if brought back into use, could help provide new functional homes without utilising land. Of empty homes, 36% are located in Birmingham. Almost 89% of empty homes are privately owned with 8% being council homes and 3% managed by housing associations. A total of 10,113 (or 36%) empty homes are assessed as long-term empties (more than 6 months). Some 38% of long-term empty homes are in Birmingham.

Trends in Tenure

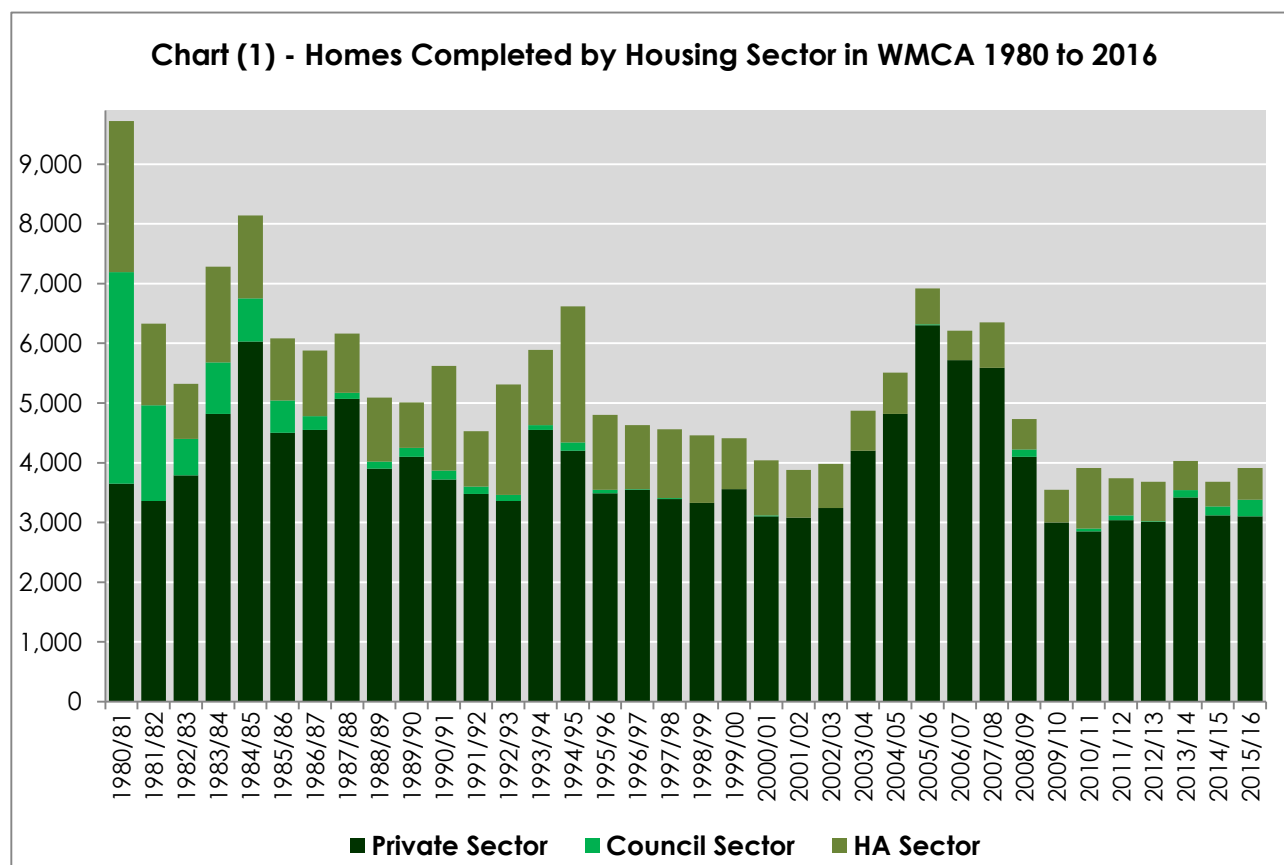
- There has been significant decline in the proportion of households in the WMCA who own their homes and a significant rise in private renting (especially buy-to-let). These trends mirror national trends. Home ownership is down to 57% from 63% ten years ago. The private rented sector has surged over the last ten years from 9% to 19%. Over the last decade, the number of local authority dwellings has decreased by 4% while the housing association stock has grown by 7%.



HOUSING SUPPLY AND DEMAND

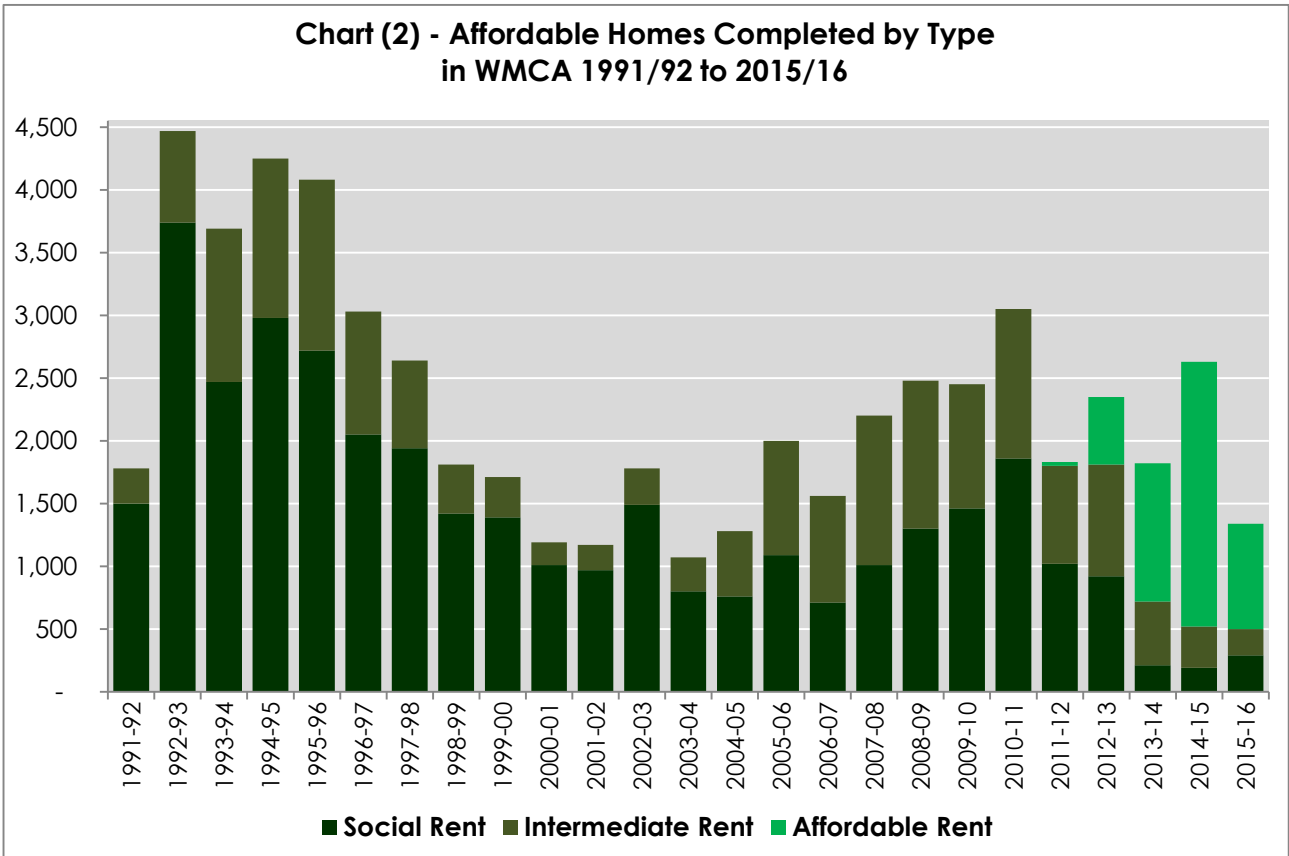
Supply of Housing

- Estimates of the number of homes needed in England every year for the next decade and more range from 240,000 to 350,000, with estimates based on varied econometric (and mainly stock and flows) models. These estimates may also be affected by the nature of Brexit, especially migratory and employee free movement factors. In the WMCA, estimates of the annual new house-building required vary from 10,000 to 15,000; again contingent upon the health of the regional economy, the speed of infrastructure investment and labour mobility.
- Like the rest of the country, the West Midlands has been experiencing a crisis of housing construction and investment. New house-building has been on a downwards trend since 1980, although with peaks and troughs, as shown in chart (1) below. Housing completions in the WMCA during 2015/16 are 38% down on those in the pre-financial crisis boom of 2007/08.



- There has been a long-term decline in social house-building (especially council house-building from 6,070 in 1980/81 to 810 in 2015/16). However, council house-building has seen a relative uplift over the last three years. Although building rates are still considerably below historical norms from the 1960s to the late 1980s.
- Measures of affordable housing supply show a similar decline in completions. As chart (2) below illustrates, social housing and intermediate market rent completions have declined significantly over the last twenty-five years.

- The government's 'affordable rent' programme, which commenced in 2011/12, boosted 'affordable' rent but has since declined, as chart (2) below demonstrates. The government's Housing White Paper, seeks to boost affordable rented housing (see page 12 for a summary of the Housing White Paper).



- The government has also introduced a new measure of housing supply over the last few years – 'net additional dwellings' which incorporates rehabilitated existing housing plus conversions of offices into residential property minus demolitions – to provide a more comprehensive view of housing supply.
- On this measure, an extra 1,620 homes were provided in the WMCA area during 2015/16, of which 1,031 were office conversions. This is a large increase from 2012/13 and has been aided by government initiatives and local authority activity to bring redundant office space and empty homes back into use alongside developers coping with limited land supply.

Growth in Population and Households

- The WMCA population is projected to increase by 18% to stand at 3.3m in 2039 and there is expected to be a faster rate of household growth (24% or 264,000 more households between 2014 and 2039) – see chart (3) overleaf.
- Household growth rates will be highest in the younger and older age cohorts, and in newly forming small and large households.

Chart (3) - Increase in Number of Projected Households in the WMCA Core Area by (1990 to 2039)

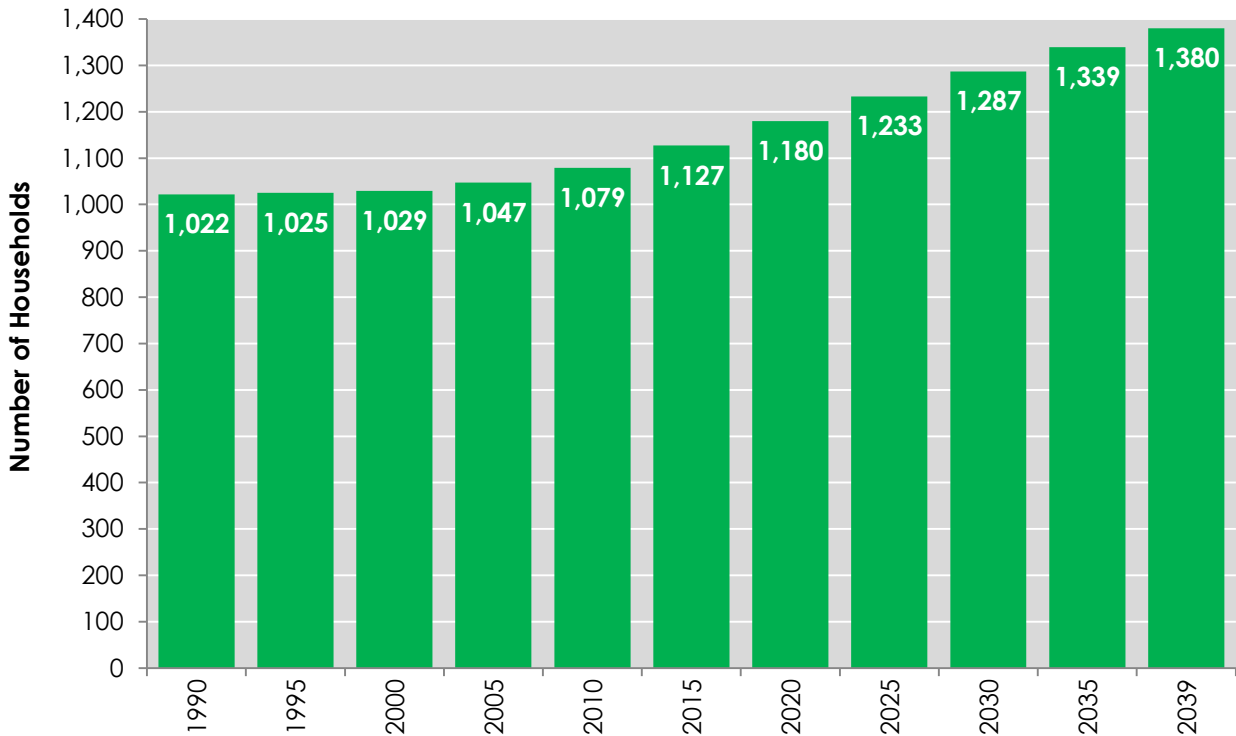
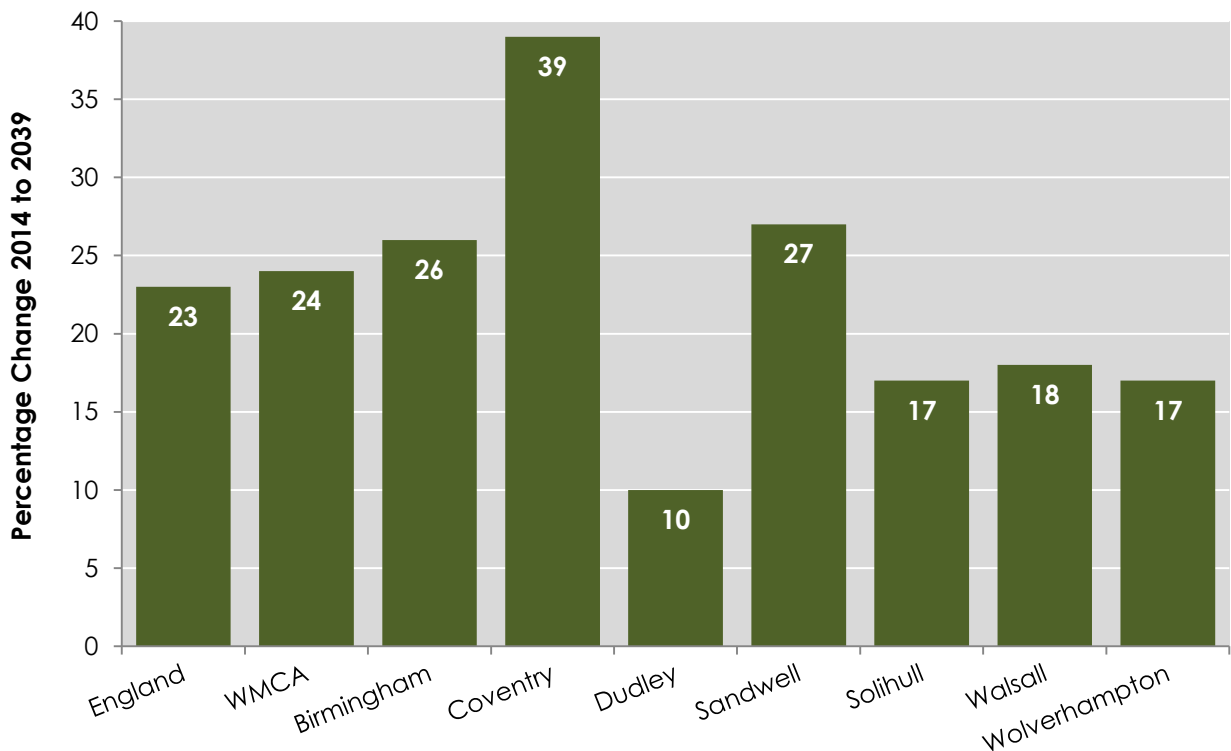
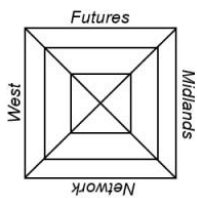


Chart (4) - Increase (Percentage) in Projected Households in the WMCA Core Area by Local Authority (2014 to 2039)



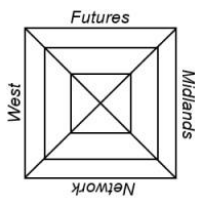


- Younger households will represent the key increase in housing demand while older households may need in situ housing and care interventions or encouraged to downsize (there is provision in the Housing White Paper for incentives to older people to move to smaller homes).
- The inability of 18-21 year olds with complex needs to access employment may lead them to stay in scarce supported housing, and 'block' access for others.
- In the case of refugees, they are often focussed on short term employment opportunities and tend to drift from shared accommodation to shared accommodation in order to follow those opportunities.
- Although there are no up-to-date projections referring to ethnicity, the growth in the younger population is likely to be most evident among black and ethnic minority households, irrespective of future immigration.
- Household growth in the WMCA will include all household types. Faster growth will be for couples with one or more other adult(s) in the household to stand at 261,000 by 2039; one person households to 430,000; and 'other' household types to 149,000. Households with dependent children will increase by 18% to 422,000.

Table (b) – THE GROWTH IN HOUSEHOLDS BY TYPE IN THE WMCA (2014-2039)

	One Person	Couple	Couple & 1+ Adult	Households with Children	Other Households
Birmingham	+26%	+17%	+47%	+13%	+71%
Coventry	+37%	+17%	+43%	+43%	+77%
Dudley	+15%	+11%	-5%	+7%	+20%
Sandwell	+32%	+16%	+38%	+19%	+54%
Solihull	+25%	+5%	+12%	+22%	+22%
Walsall	+25%	+13%	+16%	+12%	+38%
Wolverhampton	+16%	+1%	+14%	+23%	+39%
WMCA	+26%	+13%	+29%	+18%	+58%
England	+25%	+20%	+28%	+15%	+53%

- There is quite a lot of variation in expansion of household numbers by type across the WMCA. Coventry will experience the largest growth in one person households while Birmingham will see the greatest climb in households with couple plus one or more other adults,
- Household growth will put pressure on local authorities in and adjacent to the WMCA. As chart (4) on the previous page reveals, the greatest levels of household growth will be in Coventry, Birmingham and Sandwell.



- The scale of household growth will probably need some new housing to be provided in adjacent and more rural authorities with some limited building on the green belt.

HOUSING AFFORDABILITY

Home Ownership

- While the WMCA area does not experience levels of housing unaffordability seen in some other regions (most notably London, the South-East and the South-West) the affordability of home ownership remains a key issue in the West Midlands. House prices in the West Midlands region, the WMCA area and all local authorities have grown appreciably over the last two decades – see table (c).

Table (c) – AVERAGE HOUSE PRICES IN THE WMCA

	December 1996	December 2016	% Change
Birmingham	£47,175	£165,019	+250
Coventry	£42,094	£164,521	+291
Dudley	£49,606	£155,968	+214
Sandwell	£41,871	£130,183	+211
Solihull	£73,315	£259,631	+254
Walsall	£47,777	£149,320	+213
Wolverhampton	£42,751	£138,826	+215
WMCA	£48,227	£163,638	+239
West Midlands	£51,418	£181,372	+253
England	£55,755	£234,278	+320

- The average house price in the WMCA area (at £163,638) has increased by 239% over the last twenty years, while average earnings have increased by just 66% and RPI has been approximately 40% compound.
- The WMCA average house price remains below that of the West Midlands region and England. House price increases in the WMCA overall since 2006 also lag behind those seen in the region and nationally. Average house prices range from £130,183 in Sandwell to £259,631 in Solihull, which saw one of the greatest percentage increases since 1996 (at +254%). Coventry experienced the largest increase (at +291%).
- The affordability of home ownership is a problem in the WMCA since housing supply has not increased sufficiently to take-up excess demand and because of stagnant/falling earnings. Chart (5) over the page shows the ratios of median earnings to median house price and lower quartile earnings to lower quartile house price. Both are lower than at the peak of the market in 2007 but have hovered around 5.5 to 6.0 respectively since. The affordability of home ownership in the WMCA is twice as severe as it was two decades ago.

Chart (5) - Affordability of Home Ownership in the WMCA 1996 to 2016

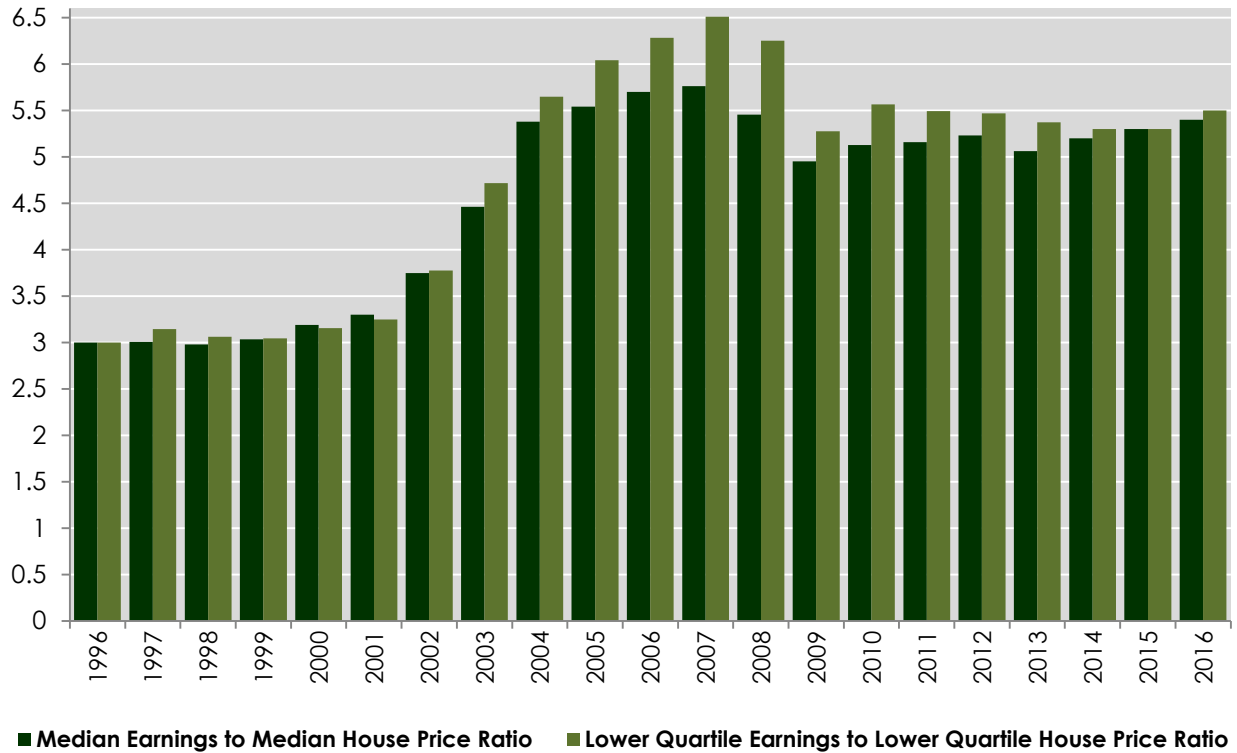
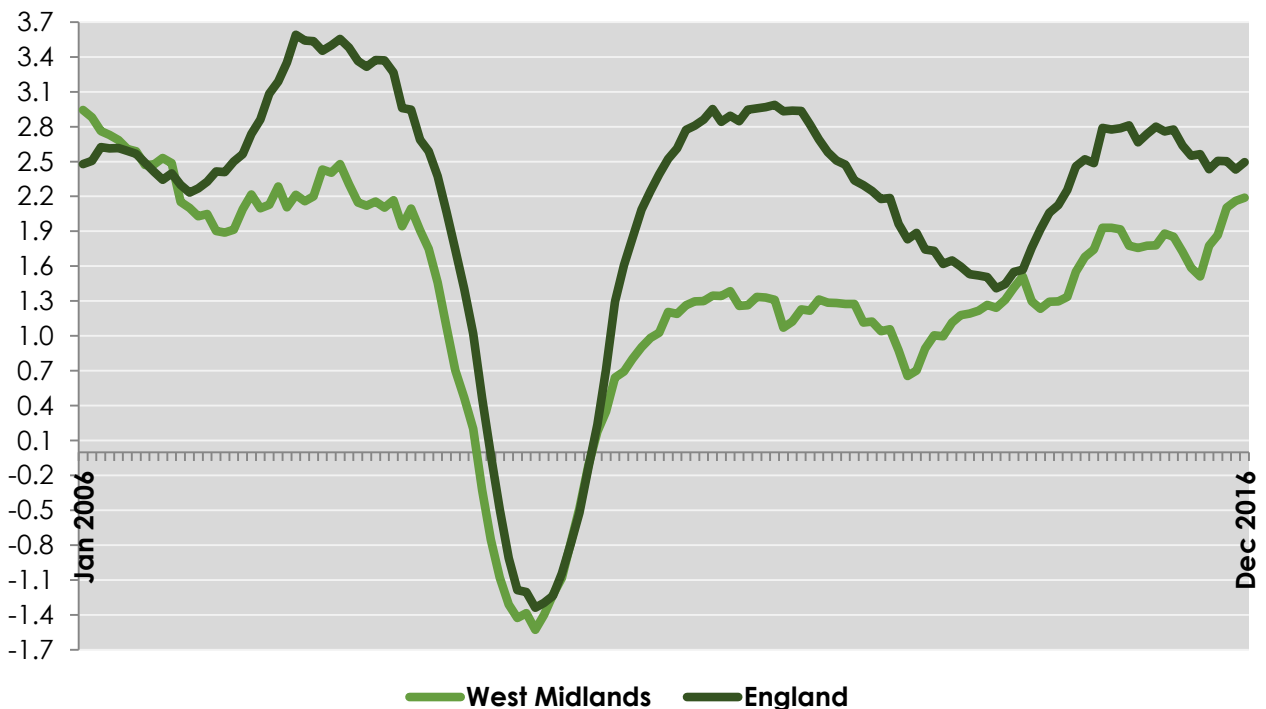
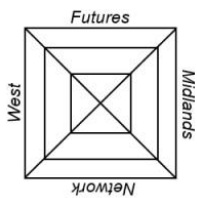


Chart (6) - Private Rent % Change in England and the West Midlands (January 2006 to December 2016)





- In the last three years, 38% of all new house sales have been made with loans for deposits from the Help to Buy fund (abandoned in late 2016), indicating that the affordability of home ownership is questionable. In spite of low interest rates, access to home ownership is much more restricted than in the past.
- Younger households have been significantly disadvantaged compared with earlier generations and have little choice other than to rent.

Private Rented Sector

- Private sector rents in the West Midlands are the highest outside of the South-East and the South-West with the average being over £700 per month.
- Rents in the private rented sector in the West Midlands have increased more rapidly than RPI over the last ten years, with the exception of the 2007/08 period when there were reductions in average rents.
- Rent increases have picked-up again in recent years in the WMCA area, as shown in chart (6) on the previous page, and have run above RPI for the last five years. Rental increases in the West Midlands are now approaching those seen in the rest of England.
- City centres, especially Birmingham city centre and Solihull, are private rent 'hotspots' with rents increasing in these locations way above inflation.

HOMELESSNESS AND HOUSING NEED

Homelessness

- Homelessness, rough sleeping and the use of temporary housing to accommodate statutory homeless households have been on the increase in the WMCA area in recent years. In 2015/16, 5,833 households were accepted by the seven WMCA local authorities as homeless and in priority need: a rise over the last two years but about average for the last ten years.
- The use of temporary accommodation to house homeless applicants has climbed in recent years. Street homelessness also appears to be increasing with 200-300 rough sleepers estimated by local authorities in the West Midlands.
- Welfare reform has contributed to increased homelessness arising from evictions by (mainly) private landlords while there has been an increase in evictions in the social sector too - situations exacerbated by limited support for tenants.
- With reductions in expenditure on homeless services, precipitated by central government cuts to local authority grant support from 2010, it is much more difficult for homeless people to find help and support.
- BME communities (especially those from an African-Caribbean background) experience proportionately higher levels of homelessness than whites.

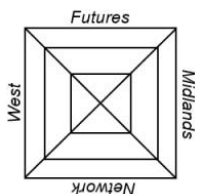


Chart (7) - Accepted as Homeless/Allocated Temporary Accommodation by WMCA LAs (2006/07 to 2015/16)

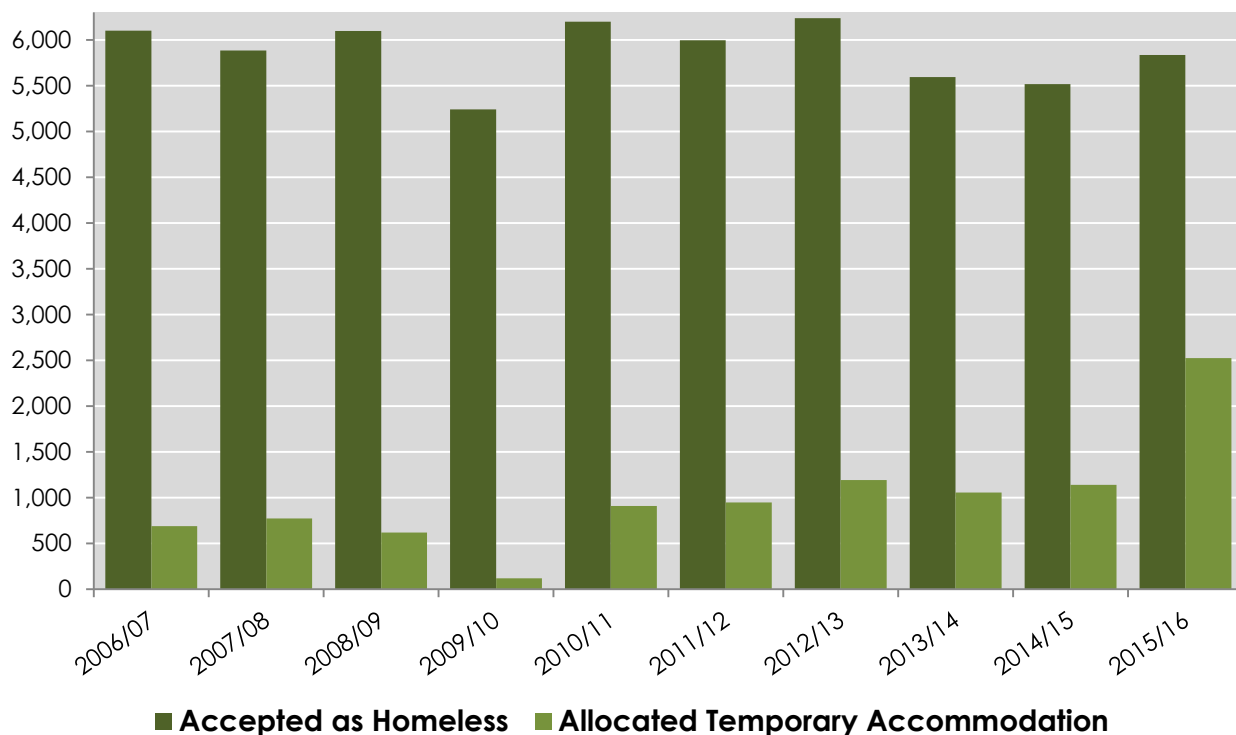
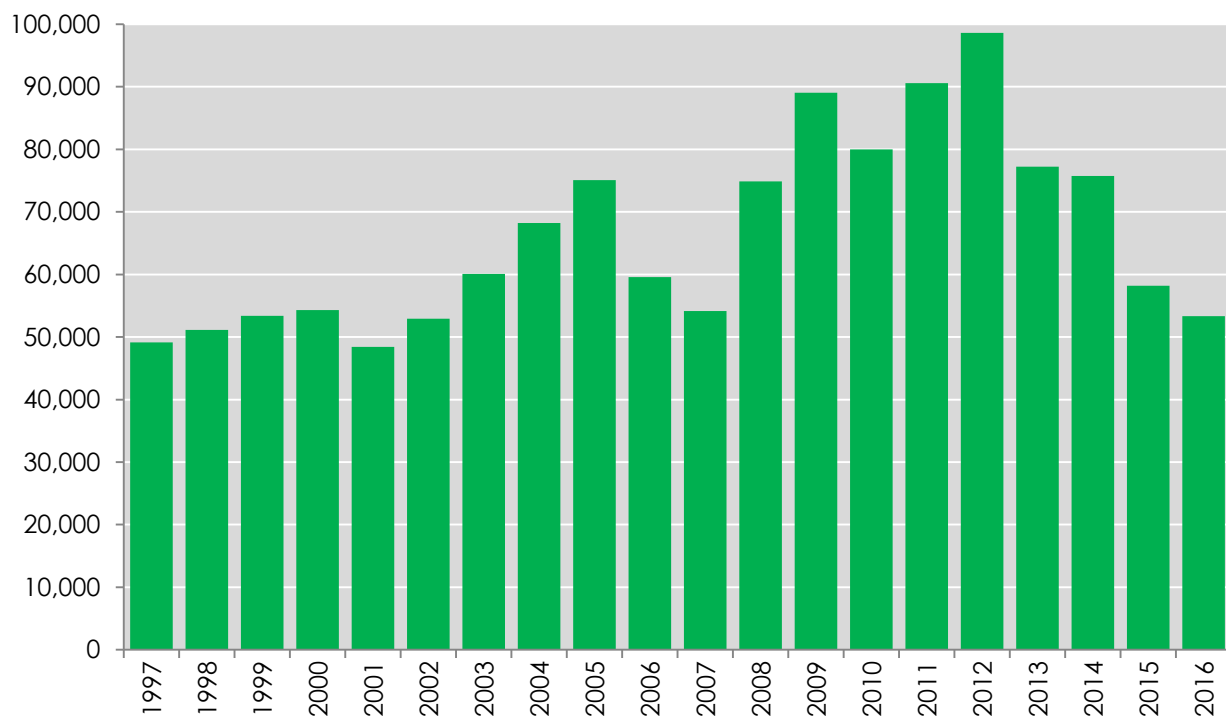
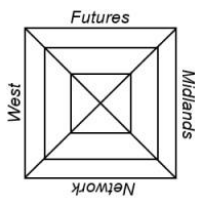


Chart (8) - Households on Local Authority Waiting Lists/LHRs in the WMCA Area by Local Authority (1997 to 2015)



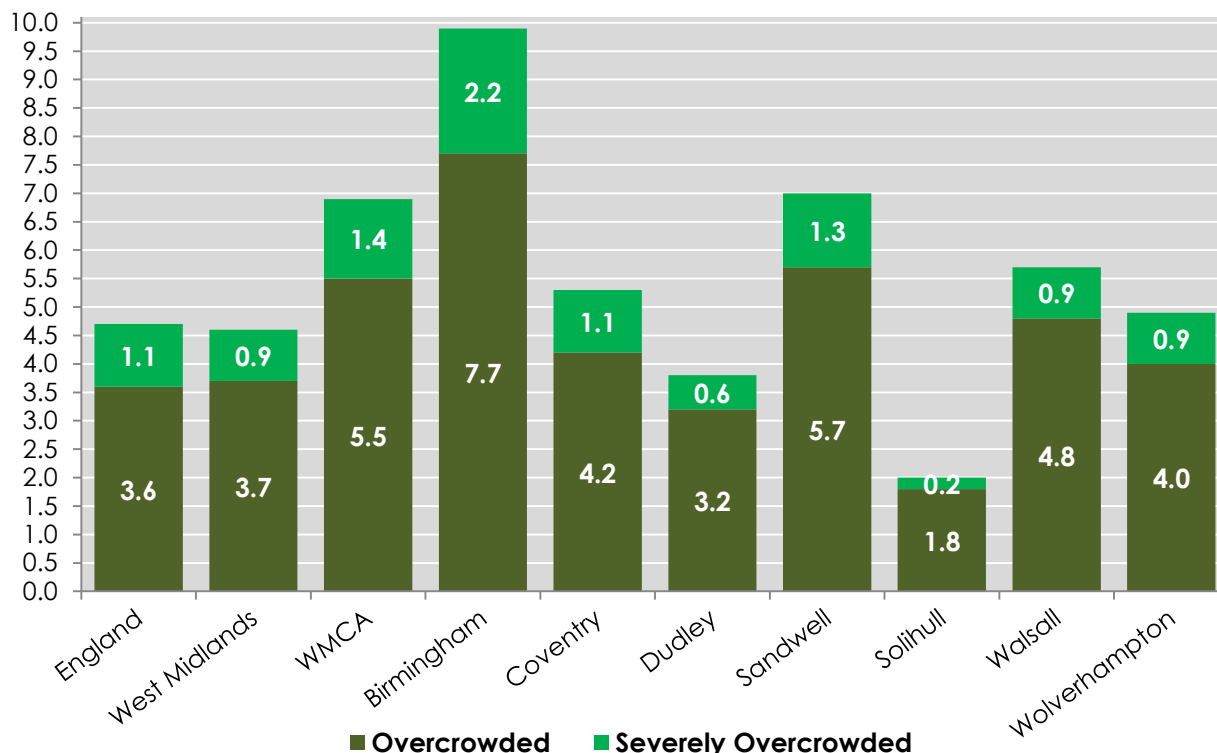


- Young people coming out of care, people with drug or alcohol abuse problems or mental health problems, women experiencing domestic violence and vulnerable LGBT people continue to be prominent among homeless households affected by the scarcity of affordable housing and reductions in care and support.

Housing Needs

- As shown in chart (8) on the previous page, more than 53,000 households, or more than 130,000 people, are registered on local housing registers (waiting lists) in the WMCA area, with Birmingham having the largest waiting list.
- There has been a reduction in the number of households registered on waiting lists over the last three years, but this is more likely due to changed registration criteria, introduced by the Localism Act in 2013, than an actual and significant decline in housing need.
- Despite this, the number of households on local housing registers in the WMCA, is still higher than two decades ago.
- Around 1 in 10 West Midlands' homes fall below the Decent Homes standard with most of these being lower value properties in home ownership (often owned by older home owners).
- A lack of attractive housing options for older people discourages them from moving out of unsuitable housing.
- Fuel poverty, arising from a lack of affordable heating systems and poor insulation, is a key problem in many of the most deprived neighbourhoods in the WMCA area. Overall, 12-15% of households in the WMCA area are estimated to be in fuel poverty, but the incidence of fuel poverty is much higher in low income households living in older properties in inner city areas – both owned and rented privately.
- The WMCA has a large number of overcrowded households (at 1 in 14) with more than 1% severely overcrowded.
- Overcrowding is greatest in Birmingham with 10% of people living in overcrowded households of whom 2% are severely overcrowded. All local authorities in the WMCA area (with the exception of Dudley and Solihull) have at least 1 in 20 people living in overcrowded households. In some areas, especially inner city deprived neighbourhoods, the overcrowding rate rises to as much as 1 in 4 people.
- Overcrowding is most common among larger families and BME households in the lower end of the home ownership market and in private renting.
- Overcrowding is associated with health inequalities, including lost years of life, more severe morbidity rates, a higher incidence of household accidents, some mental health problems, as well as poorer educational performance.

Chart (9) - Overcrowding in the WMCA Area, the West Midlands and England (% Persons in 2011)



KEY ELEMENTS OF THE HOUSING WHITE PAPER

The long-awaited Housing White Paper, released by DCLG on 7th February 2017 and now out for consultation until 2nd May, sought to provide a framework whereby the government's ambition to provide 1 million new homes between 2015 and 2020 might be realised.

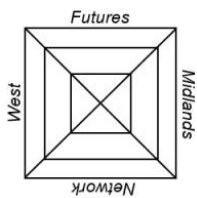
The following are the key elements² in the Housing White Paper:

General Direction

- The headline communicated by the government in its Housing White Paper was a move away from over-promotion of home ownership to greater stress on affordable and secure renting, and promoting faster house-building. However, the plans for development funding will continue to support mainly starter homes and shared ownership and will most probably under-cut the declared ambition to boost affordable renting. The direction of housing policy to underscore home ownership as the primary tenure of choice remains, therefore, implicit, despite the headlines.
- The Housing White Paper had no commitment to underpin a return to social house-building, which research³ has shown is the most cost-effective way of solving the housing crisis.

² Based on information and analysis from Inside Housing and 24Housing.

³ See the SHOUT campaign www.4socialhousing.co.uk

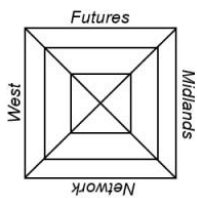


Accelerating Housing Development

- Housing White Paper proposals focus on accelerating house-building by ensuring developers build within two years and not the current three, by setting local authority-based 'quotas' for house-building and building at greater density in mainly urban areas. Protecting the green belt is still a policy priority.
- There are also plans to give local authorities more powers to build extra homes, although proposals are vague at this point.
- The government states that local authority Local Plans for housing harm the rate of house-building. It will now require more realistic Local Plans, reviewed every five years, with local authorities required to undertake more comprehensive assessments of housing need.
- Local authorities will be expected to use land more efficiently by supporting the building of new homes at higher densities where there is a shortage of land and where there are good transport links.
- Local authorities will be able to issue completion notices so cutting the timescales required by developers to build after planning permission is granted to within two years, instead of the current three.
- Amendment of planning rules to enable local authorities to plan for more long-term Build to Rent schemes is also included.
- The government wants to move beyond the majority of new house-building by large developers to help more SME builders and others make a significant contribution by utilising the £3bn Home Building Fund. This Fund will also be deployed to provide loans to custom builders, offsite construction and essential infrastructure.

More Secure and Affordable Renting

- The Housing White Paper is explicit about seeking to ensure more long-term tenancies are available in the private rented sector: but only for new developments and not existing private rented housing.
- There appears to be little in the way of statutory requirements on the private rented sector and voluntary action on behalf of private landlords seems to be all that is proposed at the moment.
- There is little in the way of new funding for the Affordable Rent Programme with funding staying the same as unveiled in the Autumn Statement 2016.
- The £1.4bn fund announced then appears to be the only funding currently available. But the government promises to consult developers to offer more affordable rent. What constitutes 'affordable' will be redefined.



- The Homes and Communities Agency (HCA) will be renamed Homes England and become a funder only while its regulatory function in relation to housing associations will be passed to a new body.

A Whole Stock Approach and Bringing Empty Homes Back into Use

- The Housing White Paper talks about efficient use of the total housing stock and points to existing local authorities have the power to tackle empty homes.
- On top of this, local authorities also have the incentive as they earn the same financial reward through the New Homes Bonus as building a new one for bringing empty homes back into use. There is some flexibility in the Housing White paper to impose a council tax premium of up to 50% on homes empty and substantially unfurnished for more than two years.
- Older people will be incentivised to move to smaller homes freeing-up there properties for families and larger households.

Briefing Note Authors

Futures Network West Midlands

Human City Institute

10th March 2017

Full Report

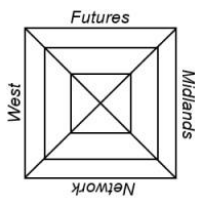
The full report '**Accelerating Prosperity through Housing in the West Midlands**' produced by the Futures Network West Midlands (FNWM) and the Human City Institute (HCI) will be available on 23rd March 2017 at:

www.humancityinstitute.wordpress.com

Research Project Contact

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About Futures Network West Midlands (FNWM)

FNWM comprises individuals from professional and academic backgrounds who have experience of and a commitment to strategic and spatial planning, with a particular interest in the West Midlands. Its mission is to provide a voluntary, independent and non-party political network with the aim of opening up and examining key long-term issues and potential futures facing the West Midlands. Since 2011, FNWM has held six evening debates, covering prospects for the West Midlands; the future prospects for the West Midlands economy; transport issues in the West Midlands; regional demographics issues; health, wealth and the pursuit of happiness; and the Greater Birmingham and Solihull LEP Strategic Plan.

FNWM has published a series of documents, including a response to the DCLG National Planning Policy Framework; a response to DCLG's Regional Spatial Strategy for the West Midlands; a critique of the GBSLEP Strategic Spatial Plan for Recovery and Growth; a Working Paper on demographic issues; a Working Together for a Better West Midlands; and a Manifesto.

www.futuresnetworkwestmidlands.co.uk

About the Human City Institute (HCI)

HCI is a Birmingham-based, independent, charitable 'think tank'. HCI undertakes research into 'human city' issues, investigating exclusion, and promoting solutions to the problems of the most disadvantaged groups in today's complex and diverse cities, towns and communities. HCI works around research themes that incorporate new visions for housing; mutualism; social value; health, wealth and life chances; left behind communities; and cohort studies.

HCI has run, or played a major part, in a number of campaigns including the Commission on Co-operative and Mutual Housing; the 'end legal loan sharking' campaign with political pressure group Compass; enhancing life chances in social housing by improving mobility; research and a campaign with BMENational, the representative group of 70 BME housing organisations in England; and an 'end furniture poverty' campaign. Since 2009, HCI has held 19 annual lectures, launches and round tables.

In the last 8 years, HCI has published 55 research reports on a variety of topics (including realising the 'human city'; equality and diversity; social value, social investment and VFM; community and resident surveys; housing and regeneration policy; austerity, financial exclusion and welfare reform; mutualism and the 'Big Society'; and green issues); published 20 think-pieces, research summaries and bulletins; produced 13 conference papers, academic articles and consultation submissions; and published 250 articles and blogs in the national, local and trade media.

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