



**intergenerational  
foundation**

Fairness for Future Generations

## **A response to the Review of the Local Authority Role in Housing Supply**

### **Who we are...**

The Intergenerational Foundation ([www.if.org.uk](http://www.if.org.uk)) is a think tank which researches fairness between the generations in the UK, in order to protect the interests of younger and future generations, who are at risk of being ignored by current policy-makers.

### **Our response...**

The Intergenerational Foundation is extremely concerned by the housing crisis that is currently affecting young people in the UK. Unless the supply of housing increases significantly, millions of young people who desire the security and responsibility of owning their own home face being unable to fulfil that dream. For a full explanation of how the failings in Britain's housing market affect young people disproportionately, please see the extract from our response to the Lyons Review of Housing, which has been attached as Appendix 1.

We believe there are a number of initiatives which local authorities could undertake in order to boost the supply of housing in their areas. These are explained in more detail below:

### **1. Encourage Downsizing**

The Intergenerational Foundation has published a report which looked at the issue of under-occupation within Britain's existing housing stock. This strand within our research was inspired by the idea that as an alternative to simply building more new housing, we could do a lot to address our present housing crisis by trying to encourage more efficient use of the housing that we have already.

*[Hoarding of Housing: The Intergenerational Crisis in the Housing Market](#)* estimated that English houses contained 25 million bedrooms which no-one sleeps in on a regular basis (2009/10), based on data from the English Housing Survey. Overall, 16 million people – or 37% of all homes – live in under-occupied properties in England. The number of households that are under-occupied increased from 20% of all households in 1971 to over 33% in 2009/10. There is a strong intergenerational aspect to this problem: the two largest groups of homeowners who under-occupy their properties are “empty-nesters” (couples aged between 50 and 79 whose children have moved out of the parental home) and single-person pensioner households, whereas young people and families with children are the biggest victims of overcrowded households in Britain.

Levels of under-occupation are projected to increase as the population ages, because older people are more likely to live alone, and the popularity of downsizing has stagnated in Britain compared to other ageing countries such as the USA. This will aggravate the housing crisis facing young people because Britain is not building enough new family homes for them to move into when they want to raise

families of their own, and a growing share of our existing family homes is being occupied by pensioners who aren't downsizing after their children have moved out.

Of course, it would be absurd to suggest that older people should be "forced" to leave their homes against their will. However, they could be actively encouraged to do so. A follow-up study undertaken by IF, called [Understanding Downsizing](#), used survey evidence to look at the reasons why older people said they had or had not chosen to downsize, and found that those older people who had done so could identify a number of positive impacts which it had had on their quality of life: for instance, they were less worried about heating and electricity bills, and had fewer demands placed on them from housework and gardening.

As there would be clear benefits for both young and old alike if more people could be encouraged to downsize, local authorities ought to examine whether they are currently doing enough to encourage the process. Possible strategies which would encourage more downsizing could include:

**a) Making it easier for developers to build specialised retirement accommodation** – A 2012 review of housing options for older people found that Britain suffers from an acute shortage of specially-designed retirement accommodation, such as retirement villages and bungalows, and that a lack of encouragement from local authority planning departments was one of the key reasons behind this shortfall.<sup>1</sup> Local authorities need to take the lead in encouraging developers to build new retirement accommodation, not only in terms of granting planning permission but in ensuring that there are adequate links with other public services, such as transport and social care, to make retirement communities viable.

**b) Set up downsizing advice services to assist older residents** – In addition to the shortage of suitable properties for downsizing into, many older homeowners are also discouraged by the complexity of moving house and dealing with solicitors and estate agents. Unfortunately, the private sector has largely failed to address this issue by providing services which could help older people to downsize in return for a fee. However, this could create an opportunity for local authorities, who would be well-placed to set up advice services which could guide their residents through the process, making it less stressful and discouraging for them.

**c) Innovative downsizing schemes** – Some local authorities have already identified the value of helping their older residents to downsize and have set up innovative schemes which seek to use downsizing as a way of addressing broader housing policy objectives. One of the best examples so far has been the FreeSpace scheme created by the London Borough of Redbridge, which enables residents who are aged over 60 to let their properties through the council when they downsize into care homes or sheltered accommodation. The homeowner retains the title to their property and receives any profit from the rental, while the council is able to use the home to house people from their accommodation waiting list at an affordable rent. If more local authorities begin to encourage downsizing as a way of addressing housing pressures in their local areas, other innovative downsizing assistance models are likely to emerge.<sup>2</sup>

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<sup>1</sup> Pannell, Jenny et al. (2012) [Market Assessment of Housing Options for Older People](#) London: New Policy Institute

<sup>2</sup> For further information about the FreeSpace scheme, please see: O'Shea, Nick (2013) [Informing the Business Case for a FreeSpace Model](#) London: Elderly Accommodation Council

**d) Adjust council tax bands** – It would also give people more of an incentive to downsize if the council tax system contained larger penalties for people who use the space in their houses inefficiently. At the moment the system effectively does the reverse, as single people living alone in large houses receive a discount. Removing this feature of the council tax system, and adjusting the bands so that there is a stronger relationship between the size of someone’s house and the amount they have to pay, would give smaller households living in large houses an added incentive to downsize while also raising additional revenue for local authority budgets.

## **2. Make more data about potential development sites freely available**

As things stand, one of the barriers which can get in the way of housing development is the difficulties that developers often encounter with trying to identify suitable development sites and who owns them. Although the main responsibility for addressing this problem lies with the national Land Registry, IF strongly agrees with the position set out in the consultation document that local authorities could do a lot more to make data about the land and potential development sites which they own freely available to the general public. Therefore, we support the adoption of the enhanced Transparency Code which will place a duty on all local authorities to provide data about the land and building assets which they own. We would like to add that in order for this data to have the greatest possible impact on increasing the housing supply it will need to be freely available through an interactive web portal, and to be in a format which can be searched algorithmically, so that developers can look through the database for sites with certain characteristics without having to know about any of the sites beforehand.

## **3. Ensure young people are fully represented in the planning process**

It is clear that difficulties with the planning process are one of the biggest barriers to increasing the supply of new housing. Although this is a complex issue, one element of the planning system which IF has analysed is whose voices are heard disproportionately when it comes to influencing planning decisions.

IF conducted a survey of town and parish councils across England and Wales that looked at the characteristics of the people who belong to them. This was in order to counter some of the rhetoric surrounding the passage of the Localism Act and the promotion of the broader “Localism” agenda, which was filled with claims to the effect that enabling planning decisions to be made locally would automatically render them more democratic than if they were made at a higher level. IF argued that if certain types of people tend to be over-represented within local democratic institutions, such as town and parish councils, then giving them more powers would not automatically achieve the boost to democratic participation that had been claimed.

The results of this survey of town and parish councils in England and Wales found that the typical councillor is significantly older and more likely to be male than the average adult, while there is also evidence which suggests they are likely to live in a more valuable house than the average. The age profile of councillors was the most striking result of this study: town and parish councillors have an average age of 60, which is 14 years older than the typical UK adult. Over-65s account for just 20% of the population but they make up 40% of local councillors; by contrast, less than 5% of local councillors are under 35 and just 1 in 200 councillors is under the age of 25. The average age of councillors has

risen by 4 years since 2000, suggesting that the age profile is becoming even more heavily skewed in favour of the older generation.

This is important because local authorities have a duty to consult town and parish councils about their views on planning applications in their local area. Independent evidence suggests that older people are more likely to oppose the development of new housing than younger ones; research quoted in the study showed that over-65s have twice the net level of opposition to new housing developments as people aged 18–34, while a quarter of 55–64 year olds said they had formally opposed a planning application to build housing in their local area, compared to only 8% of respondents aged 18–34.

Clearly the views of older residents are important to the planning process, but there is a danger that younger voices, who may be more in favour of house-building because they want somewhere affordable to live, are not being heard despite the increased powers which have been given to these supposedly “representative” local democratic institutions. Therefore, IF argues that local authorities should do more to make sure they are hearing the views of all their residents when they canvas opinions about new developments; this could include taking simple, practical measures such as ensuring that public meetings are held at a convenient time of day for working people to attend them. Some local authorities have done excellent work setting up youth parliaments and youth councillors to give their staff more hands-on information about the problems affecting young people, so there should be scope for these types of groups to be consulted on planning applications as well.

#### **4. Encourage intergenerational living**

In areas where there is a shortage of new housing, another method of addressing younger and older peoples’ housing needs is to encourage intergenerational living. This can involve younger people sharing older peoples’ houses at a reduced rent in return for providing help with the tasks of daily living, such as cooking, shopping, washing and so on. Encouraging such schemes would deliver two major benefits for local authorities: it would reduce the number of younger people with inadequate housing (including potentially being a means of dealing with some people who are on housing waiting lists) and it would reduce levels of loneliness and isolation among older people, lowering the need for local authority-provided care assistance.

At the moment most of the schemes which are doing work in this area appear to be run on a small scale by charities, such as [Crossroads Care](#) (in North London) and [Homeshare International](#) (which organises collaboration between similar schemes operating in different countries). However, if local authorities would be willing to support the expansion of this model on a larger scale, it could provide a useful short-term remedy to some of the problems caused by our housing crisis and ageing population.

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For more information about the Intergenerational Foundation and its work, please visit [www.if.org.uk](http://www.if.org.uk) or contact Liz Emerson, Co-Founder, at [liz@intergenerational.org.uk](mailto:liz@intergenerational.org.uk).

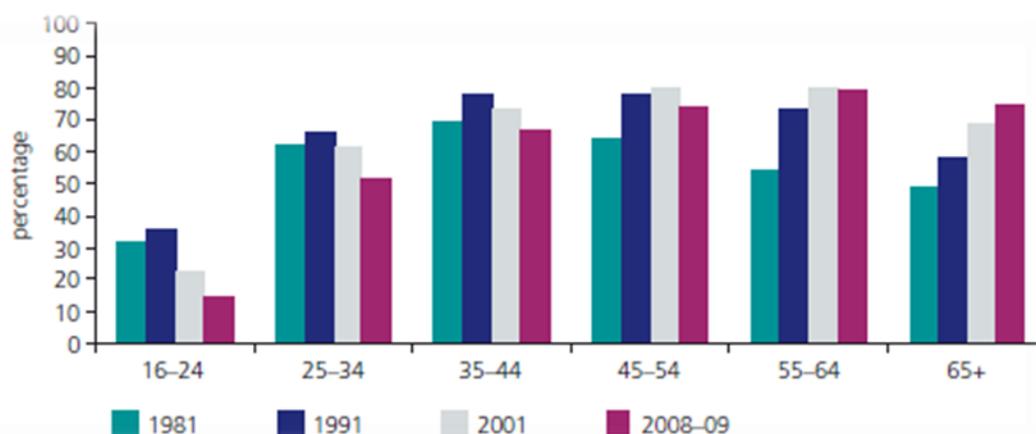
## Appendix 1: The Intergenerational Foundation’s response to the Lyons Review of Housing

Please note: In order to save space, we have not included our policy recommendations from this document because they were targeted at national housing policy, rather than local authorities. In order to view the document in full please visit the link provided in the footnotes.<sup>3</sup>

### The UK housing market – a generational divide

Britain is supposed to be a “property-owning democracy”, yet an entire generation of young people have found that their dreams of being able to own their own home one day have been trampled on by our national housing crisis. As things stand there is a fundamental mismatch between the ambition of most young people to buy their own home and the ability of the housing market to fulfil it, and unless urgent actions are taken more and more young people will find that the rewards and responsibilities of home-ownership have been pushed completely beyond their reach.

The UK housing crisis is an intergenerational problem; Fig.1 shows that levels of home-ownership have been falling among younger age cohorts for over 20 years, while they have continued to increase among older ones.



Percentage of owner-occupier household reference persons (HRPs) within different age groups, 1981, 1991, 2001, 2008-2009<sup>4</sup>

This trend has taken place despite the large volume of survey evidence which clearly shows that the vast majority of today’s young adults still want to own their own home. To take just one example, according to a survey published by Halifax Bank in 2013, 80% of people aged 20-45 would like to own their own home, but only 44% of this age group have succeeded in doing so.<sup>5</sup> This vast mismatch between what the customers want and what the market has proved capable of delivering for them shows that Britain’s housing market is fundamentally broken and that radical reforms will be needed in order to make it start functioning effectively again for the next generation.

<sup>3</sup> Kingman, David (2014) [The Intergenerational Foundation submission to the Lyons Housing Review](#) London: The Intergenerational Foundation

<sup>4</sup> Department for Communities and Local Government (DCLG) (2010) *English Housing Survey: Household Report 2008-9* London: DCLG

<sup>5</sup> Halifax Bank (2013) *Generation Rent: A Society Divided* Leeds: Halifax Bank

The causes of Britain's housing crisis are complex, but at its heart is the straightforward gap between supply and demand. Prices have been rising continuously because Britain has failed to build enough new homes (Fig.2).

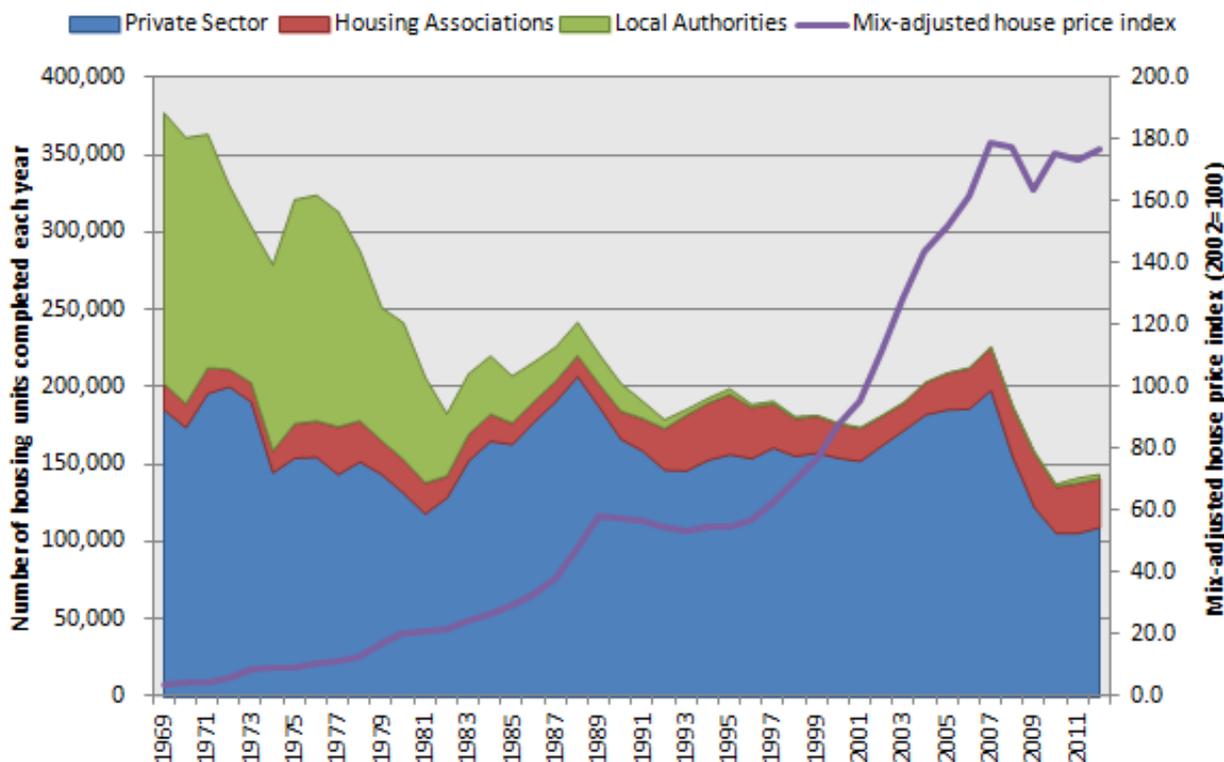


Fig.2 Comparison between the numbers of new housing units completed each year by tenure and the value of the ONS mix-adjusted house price index, UK, 1969–2012<sup>6</sup>

Fig.2 displays the number of new housing units that were completed in each year between 1969 and 2012 by different types of house builder, and compares this data with the value of the ONS mix-adjusted house price index over the same period. It shows how the number of new housing units being completed in the UK has declined significantly over time, largely due to the reduction in the number of new units being constructed by Local Authorities since the 1980s, and how the absence of these additional housing units has never adequately been replaced by increased development from the private sector. As the UK's population – and thus the demand for housing – has been rising continuously throughout this period, this has placed strong upward pressure on house prices.

Young people have been thwarted by the housing crisis in two specific ways. Firstly, it has stymied their ability to become owner-occupiers. The data presented in Fig.1 have shown that levels of owner-occupation have been falling among young adults for over 20 years, and there is abundant evidence that this is largely because of cost pressures. As one would expect, rising house prices have increased the ratio of average earnings which typical first-time buyers need to pay to get on the housing ladder, forcing them into higher levels of debt (Fig.3).

<sup>6</sup>Fig.2 is based on data taken from DCLG Live Table 241: permanent dwellings completed, by tenure, United Kingdom, historical calendar year series and Table 33 within ONS (2014) House Price Index, December 2013: Annual Tables 20 to 39

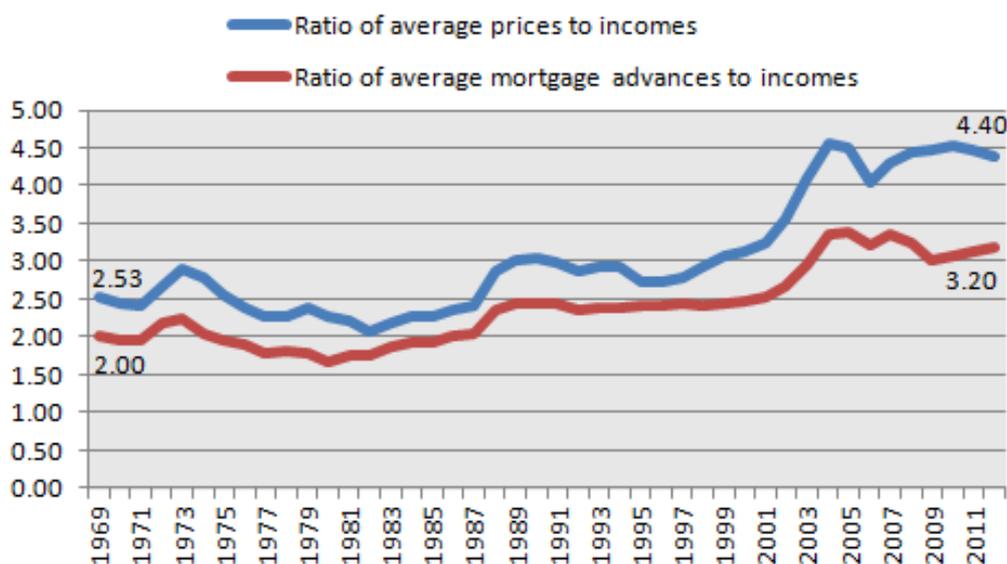


Fig.3 Ratio of average prices to incomes and average mortgage advances to incomes for first-time buyers, UK, 1969–2012<sup>7</sup>

Fig.3 shows that the cost of housing has nearly doubled relative to typical earnings for first-time buyers over the last 40 years, meaning that the amount they have had to borrow to get on the housing ladder has risen as well. This has resulted in aspirant first-time buyers having to save for years longer than used to be the case in previous generations before they can get on the property ladder, a trend which has been exacerbated by the higher deposits that most lenders have demanded from first-time buyers since the beginning of the recession in 2008, a period in which they have averaged 20–25% of the purchase price.<sup>8</sup>

Although ONS data suggest that the typical age of a first-time buyer did not rise between 1990 and 2012,<sup>9</sup> this average figure masks the worrying divide between young homebuyers who are able to receive financial support from their parents and those who are not. According to figures released by the bank HSBC, two-thirds of people who manage to get on the property ladder by the time they are 29 have received financial assistance from their parents, whereas the average age when they purchase their initial home without such help is 35.<sup>10</sup> This suggests that the housing crisis is likely to further entrench social divisions within British society as wealth becomes increasingly concentrated among a smaller proportion of families who are able to pass it from one generation to the next, a trend which endangers much of the social progress achieved in Britain during the 20<sup>th</sup> century.

Secondly, young people who dream of getting on the housing ladder have been thwarted by the rising cost of renting. As many people who cannot afford to buy have no alternative but to rent instead, the extra demand precipitated by the housing crisis has led to a dramatic increase in the number of renters. Almost 20% of British households now rent privately (this amounts to around 3.8 million people), and over half of tenants are under the age of 35.<sup>11</sup> As a result of the strength of demand,

<sup>7</sup> Fig.3 is based on data taken from Table 30 within ONS (2014) *House Price Index, December 2013: Annual Tables 20 to 39*

<sup>8</sup> Table 38 within ONS (2014) *House Price Index, December 2013: Annual Tables 20 to 39*

<sup>9</sup> Table 37 within ONS (2014) *House Price Index, December 2013: Annual Tables 20 to 39*

<sup>10</sup> HSBC (2014) *Property Haves and Have-Nots: The Outlook for today's 25–36 year olds* London: HSBC

<sup>11</sup> Kingman, David (2013) *Why BTL equals "Big Tax Let-off": How the UK tax system hands buy-to-let landlords an unfair advantage* London: Intergenerational Foundation

renting in many parts of Britain is extremely expensive; in 2011 55% of English Local Authority Areas had mean private rents which were classed as “unaffordable” by the housing charity Shelter (Fig.4).

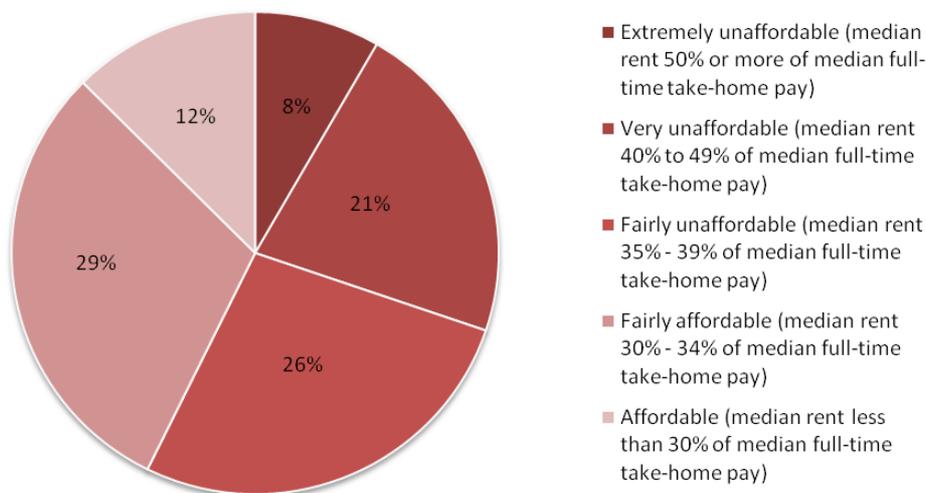


Fig.4 Proportion of English Local Authority Areas falling into different categories of affordability for private renters<sup>12</sup>

This means that young people are now hit with higher housing costs than older generations. Spending on housing costs now accounts for 22% of all spending by households where the Household Reference Person (HRP) is under the age of 30, which is considerably higher than for any other age group (Fig.5).

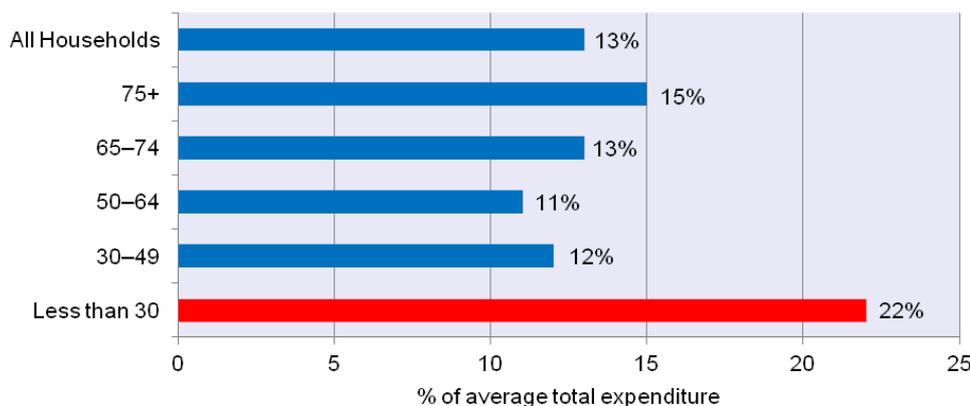


Fig.5 Housing costs as a proportion of average total expenditure, by age of HRP, 2011<sup>13</sup>

Having to pay such high housing costs makes it almost impossible for millions of young renters to save up enough money to ever be able to afford a deposit. As a result, it has been estimated that 40% of today’s 20 year-olds will have to rent privately for the whole of their adult lives.<sup>14</sup> Not being able to live in the type of housing where they want to is not only discouraging for the individuals concerned, but it will also have knock-on ramifications for the rest of society such as, potentially, a lower birth rate (47% of tenants said they did not believe it was right to have children until they were owner-

<sup>12</sup> Shelter (2011) *Shelter Private Rent Watch, Report 1: Analysis of Local Rent Levels and Affordability* London: Shelter

<sup>13</sup> ONS (2012) *Table A10: Household expenditure as a percentage of total expenditure by age of household reference person, 2011* Newport: ONS

<sup>14</sup> Lloyd, J. (2012) *The Future Cost of Housing Benefit for Older People* London: Strategic Society Centre

occupiers<sup>15</sup>) and a much higher bill for Housing Benefit (as 42% of today's private renters receive Housing Benefit, and this figure is likely to increase).<sup>16</sup>

The obvious solution to the housing crisis is for Britain simply to build more housing. However, attempts to restore the supply of new housing to the level it reached during the 1960s have repeatedly been frustrated over recent years; increasing the supply is also unlikely to be a panacea if, for example, the strong economic position of landlords and property investors enables them to purchase most of the new stock at the expense of young families.

Since IF was established in 2011 we have published several research papers that have examined different elements of the housing crisis, with a view to offering new solutions to policy-makers which will lead to increased intergenerational and social justice without suggesting that simply building more housing can act as the cure-all that it is often presented as. The remainder of this submission will offer a summary of each of these research studies and their policy recommendations, in order to try to offer some new solutions to the problem of how we can deliver the housing that young people so desperately need.

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<sup>15</sup> Halifax Bank (2013) *Generation Rent: A Society Divided* Leeds: Halifax Bank

<sup>16</sup> Department for Work and Pensions (2013) *Benefits expenditure and caseload tables 2013* London: DWP