



# The hidden costs of poor quality housing in the North

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## A discussion paper for the Northern Housing Consortium Paul Hackett, Director, the Smith Institute

*The Smith Institute is undertaking research on poor condition housing in the North, with a focus on the costs and consequences of non-decent homes. The work was commissioned by the Northern Housing Consortium (NHC) whose Commission for Housing in the North highlighted growing concerns about how sub-standard housing was impacting on the health and well-being of residents.<sup>1</sup> This paper, based on the latest English Housing Survey and other official data and qualitative research, is supported by Liverpool City Region Combined Authority and Karbon Homes. The paper, and the subsequent responses to it, will feed into a final report, to be published in 2019 ahead of the government's Comprehensive Spending Review.*

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<sup>1</sup> The NHC's Commission for Housing in the North report was launched in December 2016





## Introduction

Throughout the work carried out by the Northern Housing Consortium for the Commission for Housing in the North, one issue came up time and again – that of the poor quality of some of the existing housing stock. Alongside this people were voicing growing concerns about the impact this poor housing was having on the health and well-being of residents. Triggered by this and with spiralling care and housing costs, the NHC thought the time was right to commission a dedicated piece of work to examine the real impact and wider costs of poor housing today on communities across the North.

Right from the outset, there has been very significant interest in comprehensively exploring this issue and none more so than from Liverpool City Region and Karbon Homes who have kindly provided the sponsorship to allow the Smith Institute to begin this work.

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## Summary

Sub-standard private housing is a major problem in the North, yet the issue is overlooked and rarely discussed. The problem affects all three regions and is a particularly urgent concern for many older homeowners. Nearly 1m owner-occupied homes in the North now fail to meet the decent homes standard in addition to 354,000 private rented homes.<sup>2</sup> This is also a national problem, but worse in the North where there are concentrations of pre-war, low value properties.

There have been improvements in housing conditions across the North, notably for social housing (only 9% of social housing is now non-decent), but more and more private homes are falling into disrepair. Nearly half of all non-decent homes in the North have at least one person with a long-term illness or disability – well above the England average. Poor condition housing harms people's health and well-being. It also carries considerable costs for the NHS and social care system, as well as negative economic, welfare and environmental impacts.

The problem is largely hidden and has been made worse by the economic downturn and a national policy bias towards new build in high demand (mainly Southern) areas. Making all homes in the North decent would be a significant cost, though there is strong evidence that this intervention would be offset against reduced care and health costs. The government could start to address this challenge through increased home improvement grants under a new Decent Private Homes programme and new devolution housing deals, part funded by the savings gained from housing improvements and a creative approach to help people to stay in improved homes or be given the choice to move to a property they are confident better suits their needs.

Opening up the debate on the costs and benefits of poor condition homes in the North is an important first step in developing such an agenda for change.

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<sup>2</sup> The data in the report is mainly based on the English Housing Survey 2016 (access from UK data service)





## Housing in the North

Housing markets and housing conditions across the North are different, reflecting their distinct histories and economic geography. For example, some parts of the North have excess supply and low levels of equity, with house prices up to 30% lower than before the financial crash, while other areas, such as central Manchester, have housing shortages.<sup>3</sup> These differences extend to the condition of the stock, but are nuanced by the region's demographics and the fact that the North East has a much smaller population. The North East, for example, has the lowest levels of non-decent housing (ten times less than the North West and Yorkshire and Humber), but a higher percentage of older people with a long-term illness or disability in poor condition homes.

In many places the problem of weak housing markets is rooted in years of neglect and under-investment.<sup>4</sup> Some of these low value neighbourhoods are also remote, although many are in close proximity to more vibrant housing markets, which attract the lion's share of new investment and thereby further polarise local housing markets.<sup>5</sup>

However, housing conditions across all housing markets are being shaped by the North's ageing population, which is significantly poorer and relatively less healthy than in the South. The number of over 65s in the North is projected to increase rapidly and will account for over 25% of all households in most areas by 2036 (and in places like Northumberland and Cheshire by over 30%). The fastest growth is among the over 75s and 85s who are at the highest risk of housing related illnesses.<sup>6</sup> On current trends, increasing numbers of these older people will be living in poorer housing conditions – most in private housing.

Housing markets in the North are of course shaped by wider economic and social trends. For example, the North has less wealth and lower growth than the South and some of the most deprived neighbourhoods in England. Unemployment is at relatively low levels at a regional level, but many areas continue to suffer from the economic downturn, under-employment, low pay and in-work poverty. Concentrations of deprivation persist across all tenures, including retired owner occupiers. Homelessness and rough sleeping has also increased in most of the major Northern cities.

The worst condition housing is located in places which have suffered from disinvestment in the local economy and public realm (in common areas, parks, streets, leisure facilities and shops, etc).<sup>7</sup> Much of the housing growth, meanwhile, has been market-led and dominated by private build. Public funding for regeneration and social housing in both rural and urban areas has been cut back.

The North's city regions have gained more autonomy over housing policy and new homeowners have benefited from national schemes, such as Help to Buy. However, the focus of the government's housing and planning policies (and funding) has remained principally on supporting new supply, particularly in the South.<sup>8</sup> With the notable exception of fire safety in tower blocks and the recent much needed review of building safety, improving housing conditions and the housing stock are a

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<sup>3</sup> See Smith Institute, 'Halfway house: the opportunities and limits of devo-housing', 2017

<sup>4</sup> See LSE/CASE, 'The slow death of great cities: urban abandonment or urban renaissance?', 1999; CIH, 'Low demand: separating fact from fiction', 1999; JRF, 'Insights into low demand for housing', 1999

<sup>5</sup> Martin Crookston, 'Garden Suburbs of Tomorrow? A New Future for the Cottage Estates', 2013

<sup>6</sup> In Liverpool City Region, for example, the number of over 85s is forecast to increase by 75% over the next twenty years

<sup>7</sup> See research by the NHC

<sup>8</sup> Mainstream funding for housing and incentive schemes (such as the New Homes Bonus) are widely criticised as 'southern centric'





much lower political priority. This policy bias is not new. Parliament's CLG Select Committee's report on the Decent Homes programme back in 2010 concluded that: "The energy and political will devoted, to excellent effect, to the decent homes policy for social housing has been notable by its absence in relation to the private sector".

There are 6.8m homes in the North, four out of ten built before 1944 (mostly brick built terraced properties). Since the financial crisis new supply has steadily increased (to around 30K completions, with the strongest growth in the North West), but continues to lag well behind projected household growth.<sup>9</sup> Levels of under-occupancy are high and housing choices are constrained by low incomes and a lack of suitable homes.<sup>10</sup>

#### *The North's housing stock*

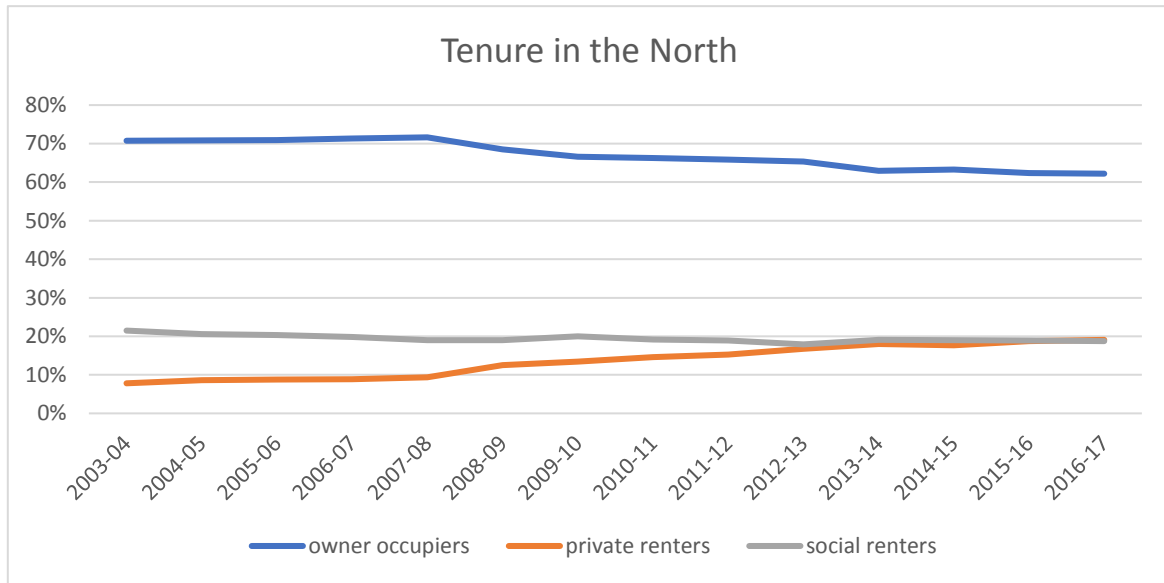
- 24% of all homes in the North were built before 1919 and 41% before 1944 (above the England average of 37%)
- Non-decent homes in the North are concentrated in pre-1919 homes. 46% of all non-decent homes were built before 1919 and 68% before 1944 (above the England average of 61%)
- 42% of the homes built in the North before 1919 are non-decent, as are 28% of those built between 1919 and 1944 (slightly above the England average of 38% and 25%). In comparison, just 2% of the homes built post 1990 are non-decent and 12% of those built between 1981 and 1990
- In the North East 56% of non-decent homes were built before 1944, 69% in the North West and 71% in Yorkshire and Humber
- In the North East, 25% of homes built before 1919 are non-decent, 43% in the North West, and 47% in the Yorkshire and Humber

The tenure type across the North is similar to England as a whole, with the majority (62%) in owner occupation. Homeownership in the North East and Yorkshire and Humber is relatively lower than the North West, although owner occupier rates overall have yet to return to their pre-2008 levels. As the graph below shows, the most salient housing trend in the North has been the rapid growth of the private rented sector (PRS), which has doubled since the mid-2000s and now accounts for 19% of all housing (social housing 19% and owner occupiers 62%).

<sup>9</sup> According to Homes for the North, 50K new homes p.a. are needed, 70% within the seven city region areas. However, it is noteworthy that according to the latest ONS forecasts, household growth in the North of England is projected to take place at a slower rate than the rest of the country. The North East is the slowest growing region, where the number of households is projected to increase by 8% (92,000) by 2041.

<sup>10</sup> See work of the All Party Parliamentary Group on Housing and Care for Older People





Property wealth in the North has fallen in real terms over the past decade and values remain relatively low.<sup>11</sup> House prices overall in the North have just returned to pre-financial crash levels and private rents in some cities are increasing.<sup>12</sup> Private housing in much of the North is comparatively affordable, although homeownership is constrained by low incomes/low savings and tighter lending. The North is also witnessing a widening housing wealth divide between homeowners in relatively high house price areas and both private renters and owner occupiers in low value areas. There are also concerns about the robustness and resilience of Northern housing markets where recovery hasn't been sufficient to erase low or negative equity. Lower income homeowners could be particularly at risk if the economy dips or borrowing costs rise.<sup>13</sup>

## Decent Homes

The number of non-decent homes in the North has fallen since the 2000s to around a fifth of all properties (1.5m), slightly above the England average (22% versus 20%) but well above London and the South East (both 17%). Over the period 2007/08 to 2015/16, the number of non-decent homes fell by 113K (42%) in the North East, 500K (47%) in the North West and only 65K (8%) in Yorkshire and Humber. There has also been a reduction in the number of empty properties in the major Northern cities, although in places like Liverpool City Region it remains a serious problem.<sup>14</sup>

<sup>11</sup> Analysis of the Wealth and Asset Survey data shows median property wealth for all households has fallen by £28,000 in the North East, -£6,000 in the North West and £7,000 in Yorkshire and Humber between July 2006 to June 2008 and July 2014 to June 2016.

<sup>12</sup> According to Nationwide, real house prices in the second Qtr 2018 were back to second Qtr 2008 prices, while in London they rose by 64% and the South East by 40%

<sup>13</sup> According to analysis by Moody's, the ratings agency, a 10% fall in house prices would put one in ten home owners in the North into negative equity, compared with 0.03% of Southern borrowers. Computershare Loan Services' analysis in February 2018, calculated that the North would face an increase of 6.8% in negative equity if house prices dropped by 19% - the worst of any region

<sup>14</sup> The number of empty homes has fallen overall since 2008, but there have been increases since 2004 in places like North Yorkshire and Lancaster (see Empty Homes and MHCLG data). In Liverpool City Region there are still over 10,000 empty homes





### *Decent Homes in England*

The Decent Homes Standard (2006) includes four statutory minimum standards: homes should be free of category 1 hazards under the Housing, Health and Safety Rating System; be in a reasonable state of repair; have reasonably modern facilities and services; and provide a reasonable degree of thermal comfort.

The government’s Decent Homes programme (2001-2011) was originally intended to ensure all social housing met basic standards of decency by 2010.<sup>15</sup> The Standard was later extended to vulnerable people living in private sector accommodation. It is estimated that the programme improved housing conditions for around 1.4 million households, mostly in the social housing sector. The total cost of the programme was estimated at £37 billion, around half in government grants. The programme was criticised for the lack of related investment in placemaking and the marginal impact it had on the PRS.

However, over the past four years the pace of decent homes improvements has stalled. According to the English Housing Survey, there has been a slight increase in non-decent homes in the North, from 20% in 2013 to 22% in 2016. The North now has a slightly higher proportion of England’s non-decent homes (31%) than it did in 2007/08 (29%).

### *Decent Homes in the North*

	Non-decent Homes '000	No. Dwellings '000	% Non-decent
North East	156	1,200	13%
North West	759	3,246	23%
Yorkshire and Humber	557	2,389	23%
England	4,724	23,734	20%
North	1,472	6,835	22%

There are now close to 1m owner-occupied homes in the North that are non-decent, equivalent to 24% of the total owner-occupied housing stock – above the England average (20%). A third of all non-decent owner-occupied homes in England are in the North, with the highest concentrations in the North West.

<sup>15</sup> The Decent Homes Standard is linked to the Housing Health and Safety Rating System. To meet the Standard a property must meet: the statutory minimum fitness standard for housing repair; be in a reasonable state of repair; have modern facilities and services (kitchens/bathrooms); and provide a reasonable degree of thermal comfort



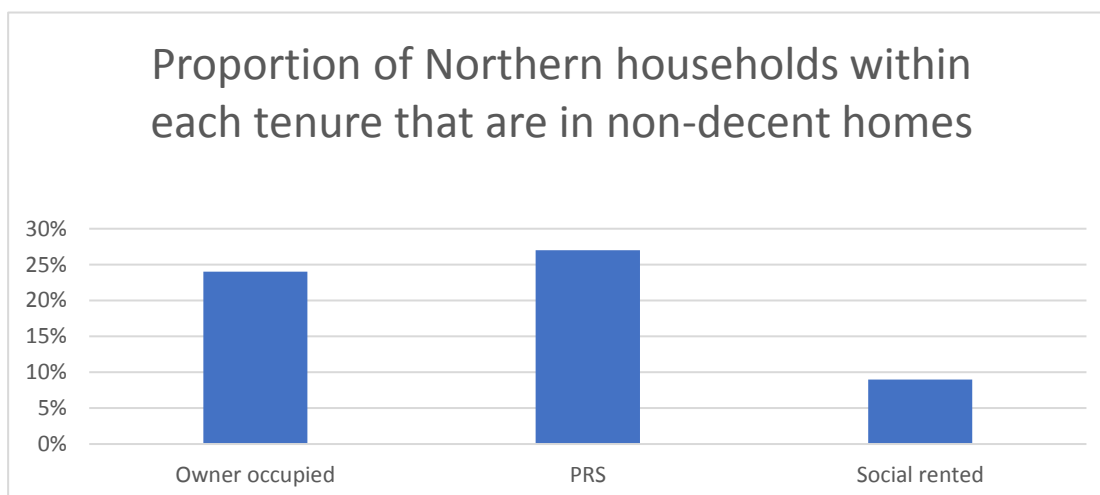
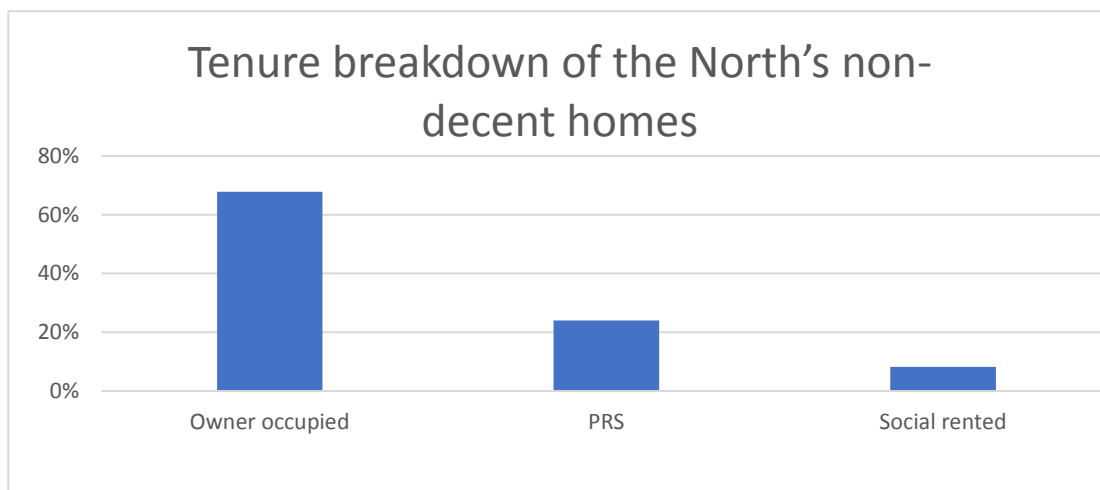




*Non-decent owner occupier homes*

	Non-decent Owner Occupier	No. Owner Occupier	% Non-decent Owner Occupier
North East	100,000	721,000	14%
North West	536,000	2,079,000	26%
Yorkshire and Humber	361,000	1,443,000	25%
England	2,912,000	14,816,000	20%
North	997,000	4,243,000	24%

The bar charts below show that there are slightly more non-decent homes in the PRS, but that overall the vast majority of non-decent homes are in the owner occupied sector. The charts also highlight the low levels of non-decent homes in the social sector.





## Older People and Decent Homes

The need for home improvements and adaptations is set to increase sharply as the population ages and the number of disabled people increases.<sup>16</sup> Without preventative action it is likely that large numbers of ill and disabled people will remain in poor condition homes. This is a serious concern as older home owners on low incomes in low value properties may simply be unable to pay for essential home improvements that are crucial to their health and independence. In addition, retired owner occupiers in low value homes with little equity have fewer care options available to them. As discussed in later sections of the paper, the problem goes beyond the personal. Poor condition housing has wider societal costs.

Just over a third of all non-decent homes in the North have someone aged 60 or over. Of the total (493,000) nearly 60% are in the North West, which has the highest levels of older people in non-decent housing in England (95,000 more than in London).

Overall, 82% of all non-decent homes with someone aged 60 or over are owner-occupied (403,000), with the highest share in the North West (higher than in any other region). The numbers of older people in non-decent social housing is relatively low (10% of the total) reflecting the improvement in the social housing stock. The number in private rented non-decent homes is also relatively low (8%).<sup>17</sup>

*Number of households with someone with a long-term illness/disability in non-decent home by tenure*

	Long-term illness/disability in non-decent home	Long-term illness/disability in non-decent PRS home	Long-term illness/disability in non-decent owner-occupied home	Long-term illness/disability in non-decent social housing home
North East	46,000	13,000	23,000	10,000
North West	231,000	54,000	132,000	45,000
Yorkshire and Humber	162,000	32,000	114,000	16,000
England	1,395,000	348,000	787,000	260,000
North	438,000	99,000	269,000	71,000

Around 30% (438,000) of households in the North have at least one member who has a long-term illness or disability and live in non-decent homes (with 57% located in the North West).<sup>18</sup> The North West and Yorkshire and Humber together account for 29% of the England total, with the North West alone accounting for 16% (compared with London at 9%).

Mirroring the overall trend in non-decent housing the largest share of those with long-term illness/disability by tenure is among owner occupiers, accounting for 70% of the total in Yorkshire

<sup>16</sup> There are 14m disabled people in the UK. That number is set to increase as the population ages - by 2030 almost a quarter of the population will be over 65

<sup>17</sup> There are 39K 60+ year olds in the non-decent PRS, 52K in social housing and 403K in owner-occupied housing

<sup>18</sup> To avoid double counting (some who are disabled will also be 60+) the figures used are for those who are either 60+ or have a long-term illness or disability





and Humber. Comparatively, the North has a high share of households with long-term illness/disability in non-decent housing among owner occupiers and a low proportion in social housing.

*Proportion of those with long-term illness/disability in non-decent home by tenure*

	Long-term illness/ disability in non-decent PRS home	Long-term illness/ disability in non-decent owner-occupied home	Long-term illness/ disability in non-decent social housing home
North East	27%	50%	22%
North West	23%	57%	19%
Yorkshire and Humber	20%	70%	10%
England	25%	56%	19%
North	23%	61%	16%

Nearly half (48%) of all non-decent homes in the North have at least one household member who has a long-term illness or disability or is over 60. In the North West it is 54%, Yorkshire and Humber 41% and the North East 48%.

Across England, around 18% of those with at least one member with a long-term illness or disability or over 60 in non-decent homes, live in PRS homes and 67% are owner occupiers. These figures are broadly replicated in the North.

	Long-term illness/disability or over 60 in non-decent PRS home	Long-term illness/disability or over 60 in non-decent owner-occupied home	Long-term illness/ disability or over 60 in non-decent social housing home
North East	18%	63%	19%
North West	16%	72%	12%
Yorkshire and Humber	15%	74%	11%
England	18%	67%	14%
North	16%	72%	12%

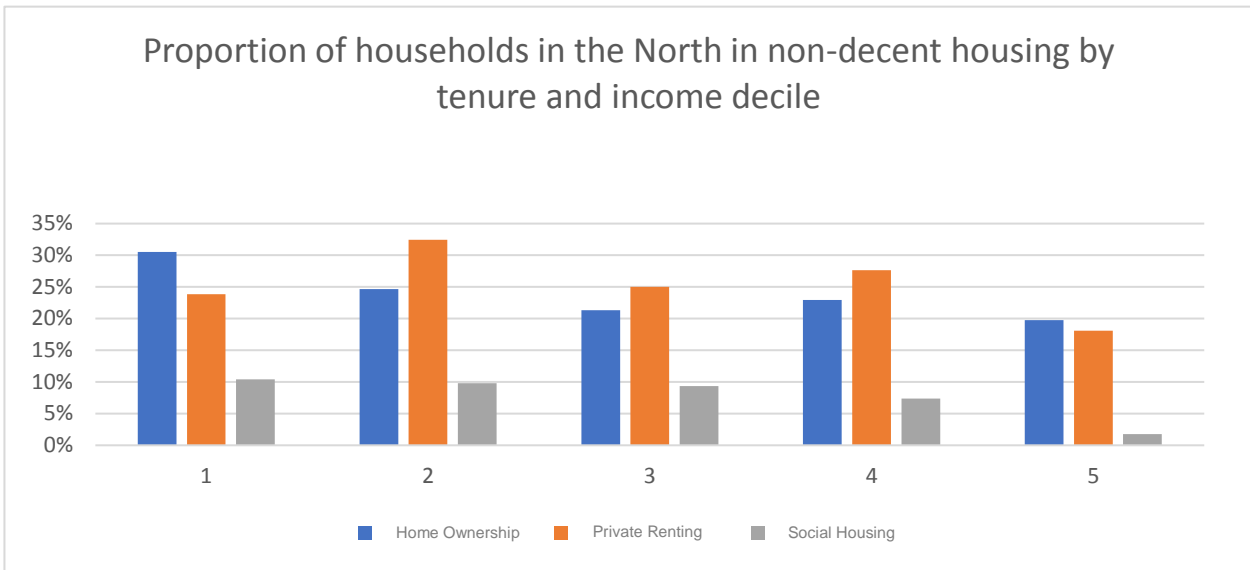
## Housing Welfare

Levels of deprivation or low incomes can be a proxy for poor condition housing. Recent research by Which?, for example, found that tenants receiving Housing Benefit are 1.3 times more likely than tenants not in receipt of Housing Benefit to live in poor condition housing.<sup>19</sup> However, because of the high rates of decent social housing the link is more observable within the private sector. As the table below shows, the proportion of households in non-decent homes is spread across income deciles, while non-decency is concentrated amongst homeowners and private renters.<sup>20</sup>

<sup>19</sup> Which, 'Reform of the private rental sector: the consumer view', 2018

<sup>20</sup> Income deciles provides a rough ranking of income distribution – a decile is any of the nine values that divide the sorted data into ten equal parts, so that each part represents 1/10 of the sample or population





The Housing Benefit bill for the North for claimants in non-decent housing in the PRS is £9.2m per week and £5m for social housing – reflecting the difference in rents.<sup>21</sup> So, despite there being more claimants in social housing, 65% of the Housing Benefit bill for those in non-decent homes is for those living in the PRS.

The Housing Benefit bill for those in non-decent homes in the North as a proportion of the England total is 20% for the PRS and 19% for social housing. Of course, not all the Housing Benefit costs from claimants in non-decent homes can be recouped. However, improvements to housing conditions would reduce costs to the state by reducing pressure on, amongst other things, the health service and improve employment opportunities for some claimants.<sup>22</sup>

## Costs of Non-Decent Homes

Sub-standard housing can have negative health and well-being impacts on any household. A child or working adult can suffer from falls or respiratory problems because of poor housing conditions. All households pay more if their homes are not energy efficient and there is a body of academic literature linking poor housing to health inequalities.<sup>23</sup> However, the negative impacts are most intense on older people.

The impact of poor housing on residents' health, such as the development of respiratory and circulatory diseases, set against the treatment costs, if the causes of the ill health are not dealt with, are significant. The relatively small cost of fitting a handrail on the steps of a vulnerable person's home to prevent a fall will be far more cost-effective than treating the subsequent fall injury. This is not simply about monetary gain; it is about a respect for people in aid of assistance and support, demonstrated through the prevention of illness and injury.

<sup>21</sup> DWP data 2016/17

<sup>22</sup> See research by the JRF on housing and poverty

<sup>23</sup> See work of Prof. Marmot and UCL's Institute of Health Equity, research by JRF, King's Fund, Public Health Research, Northern NHS Foundation Trust





Homes with a category 1 hazard (poor housing) are estimated to cost the NHS £1.4 billion<sup>24</sup>. The costs, of course, vary depending on a person's health and how particular illnesses are affected by the condition of the property. The cost alone of keeping older patients in hospital longer than necessary (often because of unsuitable housing) is estimated to be nearly £1 billion.<sup>25</sup> According to Age UK, the combined cost of hospitalisation and social care for hip fractures (most of which are due to falls) is over £2 billion per year.

### *Housing and Health*

Sub-standard housing is harmful to health.<sup>26</sup> Each winter, for example, around 30,000 more people die than in the summer because of inadequately heated homes and among the over-65s, falls and fractures account for over 4m hospital bed days each year in England.<sup>27</sup> It also has wider psychological effects, not least in terms of stress, pressure on relationships and family life, and undermining pride in people's home and place.<sup>28</sup> The impacts on well-being and life chances are more complex and harder to quantify, but just as real.

One in three households with a disabled person still live in non-decent accommodation. Nearly 2m disabled people are in need of accessible homes (half of them home owners).<sup>29</sup> Failure to make such homes fit for purpose not only adds extra costs onto the NHS but also has negative employment effects.<sup>30</sup> Non-decent homes also harm children. According to Shelter, "Children living in poor or overcrowded conditions are more likely to have respiratory problems, to be at risk of infections, and have mental health problems. Housing that is in poor condition also threatens children's safety."<sup>31</sup>

Health and housing professionals are working closer together and the health sector is, as Housing LIN puts it, "*starting to accept that lasting change in peoples' health can only be brought about by addressing the 'causes of the causes' of poor health, rather than just focusing on the easily discernible causes of illness.*"<sup>32</sup> There are also good examples of new initiatives, such as 'social prescribing' (whereby GPs 'prescribe' their patients non-medical solutions, such as energy efficiency improvements to their home).

<sup>24</sup> This represents the first year treatment costs to the NHS of leaving people in the poorest 15% of the housing stock in England, Nicol, S, et al, The cost of poor housing to the NHS (Building Research Establishment)

<sup>25</sup> National Audit Office, 2016. The average cost for nursing and residential care is around £35,000 per annum, per person

<sup>26</sup> See studies by Public Health England, the King's Fund, National Institute for Health and Care Excellence, and Professor Marmot studies on health inequalities et al

<sup>27</sup> ONS data and Royal College of Physicians

<sup>28</sup> See What Works Centre for Wellbeing research on how housing affects well-being and research by NEF and NatCen

<sup>29</sup> Habinteg/Papworth Trust, 'The hidden housing market', LSE/CASE, 'No place like an accessible home', 2016

<sup>30</sup> As Habinteg (who developed the Life Time Homes Standard) note, disabled people living in inaccessible homes are four times more likely to be unemployed than those living in accessible accommodation

<sup>31</sup> Shelter, 'Chance of a lifetime: the impact of bad housing on children's lives', 2006

<sup>32</sup> Housing LIN, 'Closing the health gap – a gap worth closing: How housing can play its part in reducing health inequalities', 2016





## Invest to Save

Improving poor quality housing can generate cost savings in other parts of the public sector, which could then be recycled into regular maintenance and home improvement with subsequent positive societal effects, such as improvements to health. As mentioned, additionality could also be achieved by the linking of standards to other policy objectives such as fuel poverty and by aligning health, housing, social care and energy efficiency and the wider strategies for tackling climate change. However, securing savings requires a significant upfront investment.

There are discernible employment and environmental benefits. Economic modelling by Verco/Cambridge Econometrics, for example, suggests a sustained increase in energy efficiency could create 20,000 additional jobs in the North.<sup>33</sup> Minimum energy efficiency improvements to non-decent homes could also deliver substantial savings.<sup>34</sup> Eco home improvements also act to cut energy bills and help tackle fuel poverty. According to Karbon Homes, energy conservation measures can reduce energy costs for tenants by as much as 40%.

The government's new Clean Growth Strategy (2018) acknowledges the necessity to tackle poorly insulated homes under the UK's climate change commitments. The Strategy pledges to upgrade a million homes through the Energy Company Obligation, although it is unclear how much of the funding will be targeted at homeowners in the North.

Failure to improve housing conditions can also keep property values and rental yields low; discourage regeneration; lead to a faster loss of stock and therefore add to the demand for extra new homes; and encourage the spread of low rent PRS.

Based on official data, it would cost an estimated £7.8 billion to make all owner-occupied homes decent in the North – more than double the cost of making all social housing and the PRS decent. Indeed, bringing all owner occupiers' homes up to the decent homes standards would account for 75% of the cost of making all homes in the North decent – a higher proportion than for other regions.

The cost of making all owner occupier homes decent in the North is 38% of the total cost of making all owner occupier homes in England decent. The percentage of the bill within each region is well above the national average, especially in the North West.

The cost of making all PRS homes decent in the North would be around £2.2 billion (a quarter of the total) and for social housing some £413m.

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<sup>33</sup> Verco/Cambridge Econometrics, 'Building the future: economic and fiscal impacts of making homes energy efficient', 2014

<sup>34</sup> Improving 279,000 F&G rated homes at a cost of F-rated homes £2,140, and G-rated £2,670 would save around £650m





## Talking Points

Despite an ageing housing stock and cuts in grant funding the North has made good progress in reducing the number of non-decent homes, with huge improvement made to the social housing stock over the past twenty years.<sup>35</sup> However, the pace of improvements has stalled over the past five years. Without a change in policy the North could once again witness a sharp rise in the number of non-decent homes.

As documented in this paper, the cost of inaction goes far beyond the human suffering. Poor condition housing (of all tenures) has wider on-going societal cost implications, not least for health and social care. Indeed, according to the BRE, the overall cost to society of non-decent homes is as high as £20 billion. The North now accounts for a third of that cost of tackling non-decency and its proportionate share is increasing.<sup>36</sup>

The biggest and more urgent challenge lies less with social housing and more with improving the condition of private housing, especially the homes of older owner occupiers. The North currently has 1m non-decent owner-occupied homes and 354K non-decent private rented homes. It would need a ten year plus programme equivalent in scale and resources to the national Decent Homes programme to significantly reduce it.<sup>37</sup>

Of course, the North is not the only region with high rates of non-decent homes and the case for public investment in improving poor condition housing (of all tenures) holds true for the entire UK. As such, it is highly unlikely that central government would divert significant resources to tackle the problem in the North at the expense of other regions. However, that does not disallow the case for a new and much more ambitious decent homes programme for England, with extra resources dedicated to tackling the problem across the North. Increased funding may also be forthcoming as the government takes forward the Hackitt Review on fire safety, which has implications beyond the social housing sector.<sup>38</sup>

The North does have a relatively more serious problem with non-decent private housing and the case for addressing this stands regardless of the situation elsewhere. For instance, seven in ten owner occupiers with a person with a long-term illness or disability live in non-decent homes in Yorkshire and Humber – above the England average. This places huge pressures on already stretched health and social care budgets.

The levels of unfitnes of these private homes varies in form and intensity, but for older households there is little prospect of their incomes increasing to deal with the problem. Indeed, the longer the wait the higher the cost. This holds particularly true for poorer owner occupiers in low value homes.<sup>39</sup> Many mortgaged homeowners in non-decent homes are also at risk from a downturn in the housing market.

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<sup>35</sup> In particular, the level of non-decent social housing is now much lower in the North than the England average. This has helped reduce the total share of non-decent homes in the North to 22% of all homes, slightly above the England average.

<sup>36</sup> The North accounts for 29% of England's housing, but 33% of the total cost of making homes decent

<sup>37</sup> The Decent Homes programme is estimated to have improved 1m homes nationally between 2001-10

<sup>38</sup> Hackitt Review of building Regulations and fire safety, 'Building a safer future', 2018

<sup>39</sup> According to research by JRF, much greater attention needs to be paid to the poor housing conditions among home-owners in poverty, particularly older outright owners. Fixing homes that are cold, dangerous or in poor repair should enable older people to stay in their homes for longer, and avoid homes becoming a potential cause of ill-health", 'Home-owners and poverty', 2018





Councils (and Home Improvement Agencies<sup>40</sup>) struggle to meet demand, especially meeting the needs of disabled people. Funding through the means tested Disabled Facilities Grant (DFG) (now part of the Better Care Fund) has nearly doubled since 2015/16 to £468m per year, with the highest proportionate allocations in the North West and North East. However, the cost of adaptations has also risen sharply, and despite the extra funding the number of properties improved through DFG has fallen.<sup>41</sup> Clearly more resources are required. The BRE estimated back in 2011 that some £1.9 billion per year of funding is necessary to meet demand.<sup>42</sup>

Feedback from our survey of home improvements by councils suggests that despite some improvements the DFG system remains overly complex. This view is echoed by the Equalities and Human Rights Commission, which stated that “access to advice, support and advocacy plays an important role, yet provision is patchy and people report that they have nowhere to turn when their housing is unsuitable”.<sup>43</sup> Other campaign groups highlight delays in the system, anxiety and fears around the ‘medicalisation’ of homes and the low level of grants (averaging around £5K per property).<sup>44</sup> However, studies by the Centre for Ageing Better conclude that the majority of people experience positive outcomes.<sup>45</sup>

Capturing the savings from decent homes improvements and reinvesting them will be key to securing the backing of HM Treasury. This also sits squarely with the government’s plans to improve public services productivity. The Barber Review on improving public service productivity, for instance, called for “radically new ways of doing things that deliver much better outcomes for reduced costs”.<sup>46</sup>

There is widespread recognition of the benefits from a more integrated care system centred on a lifetime preventative approach to health and housing. As the King’s Fund latest report on housing and health concluded, healthcare providers “will need to work more closely and constructively with the housing sector to prevent ill health if they are to successfully transform population health”.<sup>47</sup> However, the issue is not just about aligning incentives and getting agencies and practitioners to work closer together. There must also be sufficient, suitable decent homes available in the local area. Preventing hospital admissions and enabling people to live in their homes longer necessitates upfront investment in decent homes across all tenures.

The problem is complicated by a shortage of specialised housing which older homeowners could afford (and want) to downsize to.<sup>48</sup> Reducing the under-occupancy rates in this way could help free up extra genuinely affordable family housing at a much lower cost than new build. However, the strong national policy focus on new build for first time buyers seems to leave little room (or funding) for more joined-up decision making. This could change as the Metro Mayors and combined authorities develop more integrated housing and health and social care policies.

Councils see the sense of adopting preventative actions and providing more ‘hands on’ assistance (and there are plenty of good examples of innovation and best practice), but resources are limited. A

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<sup>40</sup> Most HIAs are managed by social landlords

<sup>41</sup> According to Parliamentary briefing ‘DFG for home adaptations, 2018, DFG grants completed in England fell from 45K in 2010/11 to 34K in 2014/15

<sup>42</sup> See research for DCLG in 2011

<sup>43</sup> EHRC, ‘Housing and disabled Britain’, 2018.

<sup>44</sup> See research by the Leonard Cheshire Disability and Centre for Ageing Better

<sup>45</sup> See ‘Homes that help’, 2018

<sup>46</sup> Barber Review, ‘Delivering better outcomes for citizens: practical steps for unlocking public value’, 2017

<sup>47</sup> King’s Fund, ‘Housing and health: opportunities for sustainability and transformative partnerships’, 2018

<sup>48</sup> The North has above average levels of under-occupancy and a low rate of downsizing among older homeowners.







recent study on housing and health by the University of Birmingham highlighted the problem of staff shortages: “better housing will not be achieved without adequate resources of qualified local authority staff to inspect and regulate housing conditions and to facilitate the improvements that are needed, especially in the older housing stock: these have been severely curtailed and, in some cases, withdrawn in recent years, with serious consequences”.<sup>49</sup>

The default of local government is to meet its statutory duties and provide statutory home adaptations.<sup>50</sup> There is also a trend towards blending mean tested grants (like the DFG) with cheap loans. However, the vast majority of owner occupiers have limited capacity or willingness to borrow for home improvements. Low property values and low household incomes also restrict the use of conventional equity release schemes.

Improving private homes can play a more central role in ‘fixing the broken housing market’ if the outcome is to extend the useful life of those properties by many decades. This has happened in the past. In the 1970s, renovation grants were funded by central government and distributed by local authorities to owner occupiers to fit basic amenities and carry out essential repairs. Despite problems around match funding for most of the period the scale of support was much larger than today until it was pared down in the 1990s.<sup>51</sup>

The political discourse is now more about priorities and how important an issue poor quality private housing is to local and national political leaders. Given the evidence, the starting point is now arguably less about the why and more about the how; and in particular how to ensure that the North gets the backing and resources it needs to deliver major improvements to the condition of its private housing stock. The following offers a few suggestions as to how a call to action for a step change in investment in private housing in the North could be developed.

### *Central government*

Much of the discussion about a step change in reducing the number of non-decent homes centres on the case for sustained extra funding to local authorities and Metro Mayors. This could take the form of a new, long term, government backed scheme, similar to the Decent Homes Programme, but focused on improving private housing, especially the homes of older owner occupiers. Such a scheme could be linked to achieving agreed decent homes targets for private housing. Other ideas include a devolved Help to Repair and Help to Move (like Help to Buy) scheme with a low cost equity share product for older homeowners, backed by government guarantees. Government could also do more to improve the DFG system and further increase the funding (perhaps through city region spending pots).

Private finance can also play a role as it did with the Decent Homes programme, but low values and low household incomes are major constraints. Making the argument for extra funding should perhaps be based around the future savings that can be made as well as improvements to the physical and social conditions of a neighbourhood or estate and public service productivity. The

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<sup>49</sup> University of Birmingham, Housing and Communities Research Group, ‘Delivering healthy housing’, 2018

<sup>50</sup> Councils have a duty to keep housing conditions in their area under review and undertake Strategic Housing Market Assessments of future housing requirements, which inform local plans and housing strategies. Social care departments also undertake housing assessments for social care. However, detailed local information on the condition of private housing (especially owner occupiers) is at best sketchy.

<sup>51</sup> In the 1960s/70s there was no means test or income limit but grants were matched pound for pound by applicants. If within five years the properties were sold owners would be liable to repay the grant with interest. In 1980 these restrictions were rescinded for main homes and grants could cover up to 75% of eligible expenditure. Means testing was introduced in 1989 and grants capped in 1996. Mandatory grants were abolished in the late 1990s





difficulty is identifying and evaluating the precise cost savings over time and agreeing mechanisms to fully capture and distribute the gains. Even when the savings are evaluated and monetarised, they may not necessarily be spent on housing. Hypothecation is a political decision and local authorities may wish for flexibility over where they invest extra funds.

In order to better understand the costs and benefits of investing in decent homes it may be worthwhile for government and/or city regions to establish a high-level review or task force to examine the evidence in detail, pulling in the necessary expertise. Such a group could help develop bespoke models and tools for monetarising and recovering savings from home improvements.

### *Role of local authorities and Metro Mayors*

At sub-regional level, through city deals, local growth deals and, combined authority devolution deals, the process of recognising different housing challenges has started. The agenda is now poised to be pushed further. There is potential to make a significant contribution to housing quality through the devolved agenda. Metro Mayors across the North will be able to reshape the relationship between the housing sector, innovative local authorities, and in broad partnership.

To support this approach, the detail and quality of information on local housing conditions, especially among homeowners, needs to be improved to enable preventative, targeted action.<sup>52</sup> Metro Mayors could support more detailed stock evaluations and evaluate the potential costs and savings from improved private housing conditions in their areas. The findings could inform discussions with ministers on possible devolution gainshare agreements based on recycling identified savings into local/city region funding pots for home improvements. This is particularly important given that some combined authorities lack up to date stock condition surveys.

At local authority level, some of the necessary institutional architecture is in place - Home Improvement Agencies, occupational therapists, energy efficiency advisers, selective licencing schemes - but delivery is stretched and geographically uneven. Councils have the duties and powers, but generally lack the capacity and resources. Existing programmes could, nevertheless, be scaled up, with more cross-boundary collaboration and partnerships with specialist providers. Housing associations with expertise in this area, like Karbon Homes, would be well placed to provide home improvement services to owner occupiers and private landlords - contingent on additional funding.

### *Owner occupiers*

Most social landlords have the resources and expertise to assess the condition and suitability of their properties. In contrast, many owner occupiers, in particular older home owners, are often unaware as to what constitutes poor housing conditions. Similarly, some home owners do not know what advice and funding is available. Bridging the knowledge gap and changing attitudes among both home owners and private landlords will be difficult, but nonetheless essential. Cost is a critical factor, but anecdotal evidence suggests that homeowners often have deeply held misconceptions about how intrusive and disruptive improvements might be.

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<sup>52</sup> Previous home improvement grant programmes were area based, covering up to 500 homes





One way forward could be to build on the capacity and experience of social landlords and other agencies to deliver joint solutions to help people stay in decent homes, or give support to move to homes more suitable to particular needs when that is the decision of the home owner. New approaches might be needed to overcome some of the non-monetary barriers, perhaps using some of the behavioural ‘nudges’ applied to other policy areas, like auto-enrolment. There is also a case for increased government funding for ‘healthy homes’ campaigns to help raise awareness.





## End Note

Not all these recommendations are attractive to politicians and decision makers. Some also take time and demand collaborative working between different agencies. However, they start to set out an agenda for change.

This paper has tried to capture some of the compelling evidence of the growing impact of poor housing conditions, not least on future health and social care provision and welfare in the North of England. The NHC is now keen to promote a wider debate on these findings and associated talking points so as to better understand the scale and impact on the ground and to help develop practical policy solutions.

The condition of private housing in the North is unacceptable and the human and societal cost of inaction is rising. As the country moves out of a prolonged period of painful economic tightening, perhaps now is the time to face up to the problem.

*The paper represents the views of the author and not those of the Smith Institute, the NHC or any of the sponsors.*

*September 2018*





## Next Steps

The main purpose of this report is to trigger discussion and to provoke debate, especially around developing practical solutions. We could never claim to be able to provide all the answers to so many extremely difficult and complex challenges, however, we do know from the many examples of excellent practice we have heard during this work, that there are things that we can do and great ideas on how to do things differently.

We now want to hear more from our members and our network of colleagues. We want to hear your views on our findings and how they fit with your experience. We want to hear your thoughts about the current and future impact of this issue and we want to hear your ideas on how we can rise to the challenges we are facing. Over the coming months we will be running member engagement sessions in each of the sub-regions of the North to which all member organisations will be invited. We will also be seeking the views of leading health professionals, academics, politicians and specialist organisations.

We will then use all this gathered intelligence and experience to shape our final report which we hope will be valuable in informing and influencing national and local policy and investment decisions.

In the meantime, if you would like any further information or to discuss our work in more detail please contact Karen Brown, Senior Policy Advisor, NHC:

[karen.brown@northern-consortium.org.uk](mailto:karen.brown@northern-consortium.org.uk)





# karbon homes

Karbon Homes is one of the largest housing associations in the North East. It has a long history of working with local communities and providing support and care to ensure people can live happily and independently in their homes. Extra Care in particular has seen significant growth and investment in recent years. Over the last nine years, Karbon has invested in three major Extra Care schemes for older residents, providing a total of 160 rented and shared ownership apartments that help older people live in their own homes for longer, reducing costs of care and to the NHS.

The evidence from the Smith Institute shows how much this type of accommodation is needed and that we must find more ways to help support older people live for longer in good quality accommodation. Karbon is already involved with Newcastle University in working towards new housing examples that show how the homes of the future might look.

<http://www.newcastlecityfutures.org/projects/future-homes/>

For more information on Karbon and Extra Care:

<https://www.karbonhomes.co.uk/support-care/older-people/extra-care/>

To read more about the success of Weavers' Court Extra Care in Alnwick:

<https://www.karbonhomes.co.uk/news/category/extra-care/weavers-court-wins-national-recognition-at-industry-awards.htm>





**METROMAYOR**  
LIVERPOOL CITY REGION

We are, of course, aware of the challenges presented by an increasingly ageing population and this piece of work by the Smith Institute really brings this into sharp focus from a housing perspective.

Across the Liverpool City Region, there are a number of projects designed to help people adapt their homes to ensure they are not only safe and accessible but also to make them more fuel efficient and so improve the quality of their homes, enabling them to continue to live healthier, more independent lives.

The scale of the challenge is compounded by the condition and age of our housing stock, the ageing profile of our population and the cuts to housing programmes in recent years.

Our focus, therefore, needs to be on presenting the evidence to government to make the case for increased resources to enable our partners to build on these initiatives to tackle this issue and, in doing so, to reduce the burgeoning pressure on our health and social care services.

Examples of good practice in the Liverpool City Region:

<https://liverpool.gov.uk/housing/fuel-poverty-and-energy-efficiency/>

<http://hia.sthelens.gov.uk/>

<http://www.wirral.gov.uk/housing/help-your-home/healthy-homes>

<https://www.knowsley.gov.uk/residents/housing/housing-assistance-grants-advice/housing-assistance,-grants-repairs>

<https://www.sefton.gov.uk/housing/adapting-your-home.aspx>



