The Chartered Institute of Public Finance & Accountancy

national housing stats

Using CIPFA's Housing 360

Contents

BRIEFING NOTE

About CIPFA

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our members and trainees work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

interactive profile

This document provides analysis around local authority housing provision using CIPFA's new Housing 360 data tools. The analysis explores both past trends and predictive modeling.

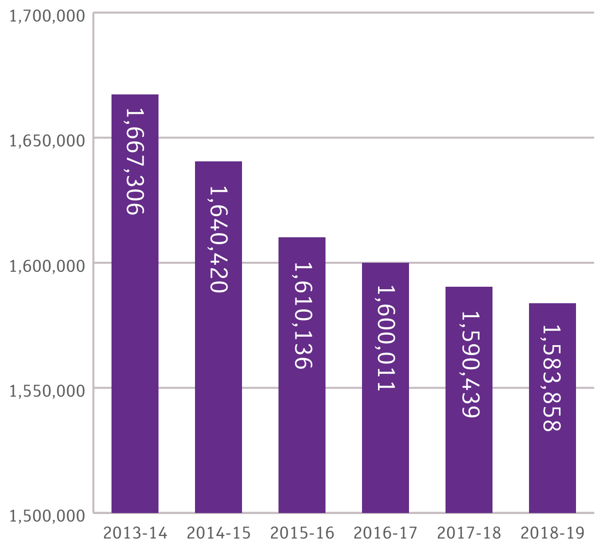
The Housing Interactive Profile is based upon compilation of statutory data returns such as; HRA, Local Authority Housing Statistics (LAHS), Revenue Account Outturn (RO) and Capital Outturn Return (COR4). This tool provides an interactive dashboard through which we are able to carry out comparisons against over 80 sets of performance indicators using local authorities and sector groupings to analyse and compare various historical performance trends.

How have national stock levels changed?

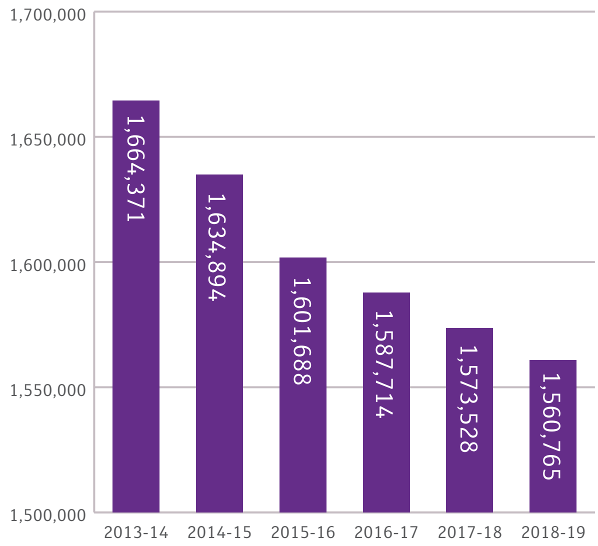
Since 2013 the number of Council owned homes have reduced by around 84,000 in England, a reduction of nearly 5% from 2013 to 2018.

Looking specifically at the number of Social Housing stock, it shows that just over 103,000 units of Social Housing stock were lost over the same six year period. In contrast the number of affordable stock has jumped from less than 3,000 to almost 22,000 over the same period, though still far smaller than the social housing stock.

Total dwellings owned by councils (including PFI & shared ownership)



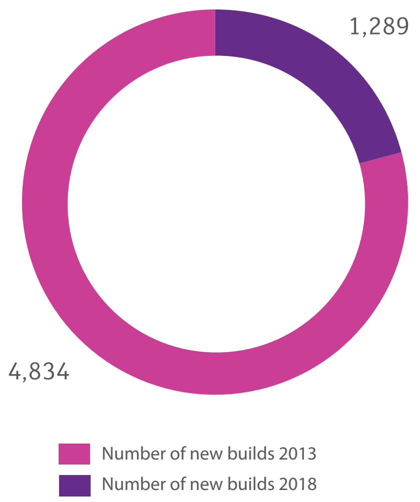
Total social rented stock owned by councils



Further analysis by bedroom size shows by far the biggest loss of social housing was family sized accommodation, generally used for housing homeless households mostly requiring 2&3 bedroom accommodation. The number of 3 bedroom socially rented stock has reduced by 8%, compared to just over 6% for 2 bedroom accommodation.

Over the same period, the total amount of new build accommodation built by local councils has increased from 1,289 dwellings to 4,834, an increase of nearly 300%.

Total number of council new builds



Number of people on waiting lists

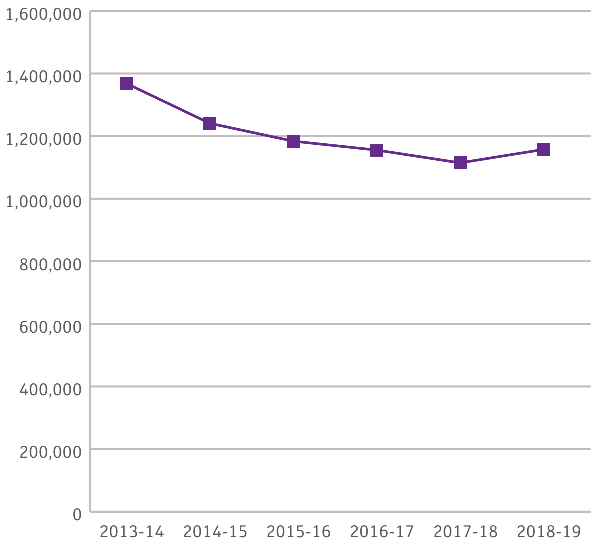
Between 2013 and 2018, on average there have been over 1.2 million households on council waiting lists. Though over the period, the number of households has dropped by 15%.

However, more recently the number of households on the waiting list has started to increase from 2018, returning to a level consistent with 2016.

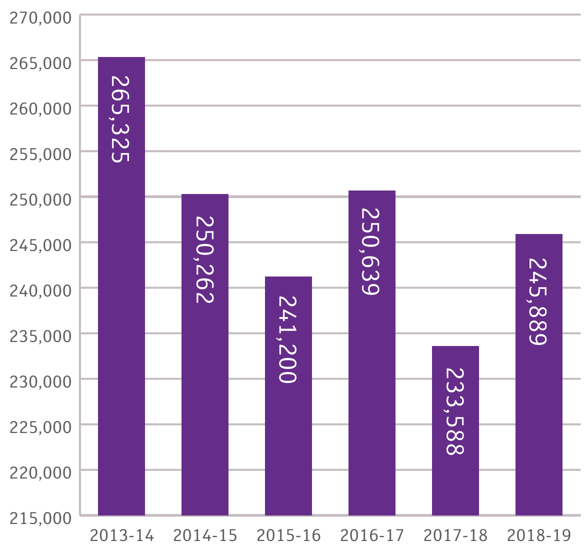
Regarding households on the waiting list in a Reasonable Preference Category (RPC), overall numbers of RPC homeless households have also increased by over 2% in the last six years, with the proportion of homeless households representing about 14% of all Reasonable Preference Category (RPC) households on the council waiting list in 2018.

Similarly, those requiring housing because they are living in unsatisfactory housing conditions have also seen a drop of 7% [from 265,325 in 2013 to 245,889 in 2018]. However figures for 2018 would suggest that numbers requiring housing due to poor housing conditions have almost increased to 2014 levels.

Households on housing waiting list



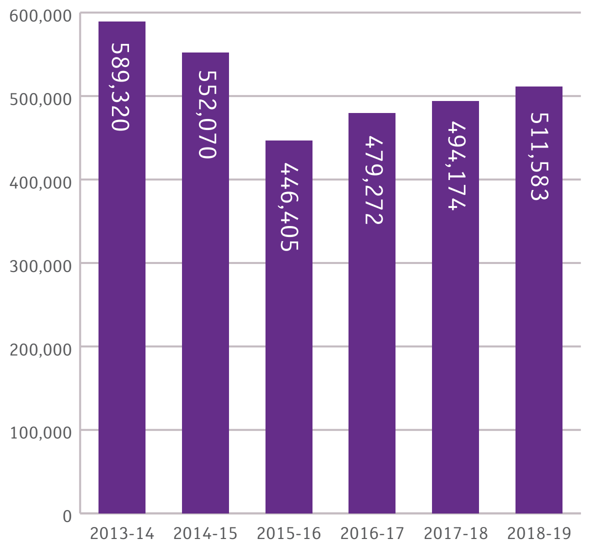
Households in RPC – occupying unsatisfactory housing conditions



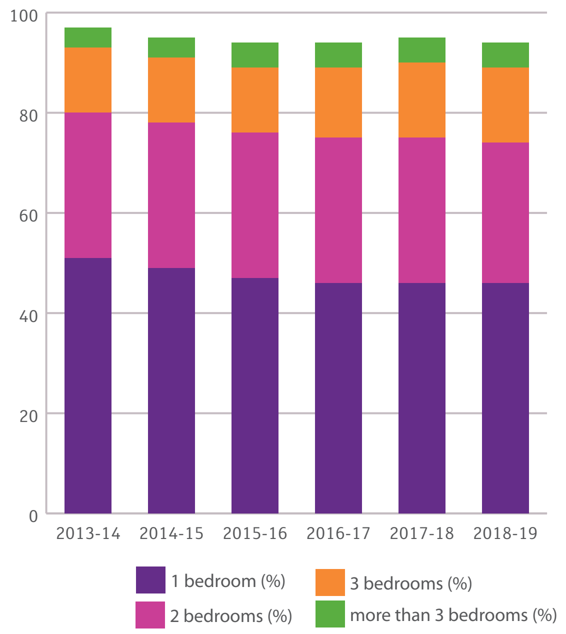
Generally, households on the waiting list which are in a RPC has seen a significant decrease (13%) from 589,320 in 2013 to 511,583 in 2018.

In terms of demand from households on the waiting list, the greatest demand is for 1 bedroom accommodations, which is generally used by councils for housing single or couple households. However, demand here appears to have reduced by about 10% over the six year period. In contrast the demand for larger sized properties [3+ bedrooms] has increased over the same period. Given 3 and 4 bedroom social housing stock is declining across English authorities, this is an area of supply where there is likely to be a shortage and where future development plans may need to address this increasing demand.

Households on waiting list in a Reasonable Preference Category (RPC)



Council housing demand by bedroom size



Cost of housing homeless people in temporary accommodation

The total cost of providing homelessness services by English authorities was around £376m in 2013. By 2018 this increased to just over £663m, representing an increase of 76% over the six year period. In 2013, 33% of the overall cost was attributed to the provision of temporary accommodation. By 2018 this figure increased to 42% of the overall cost. Against the number of RPC homeless households on council lists, the average cost of providing temporary accommodation in 2013 was £1,793. However by 2018 this has increased to £3,279 per household, an increase of 83% over the period.

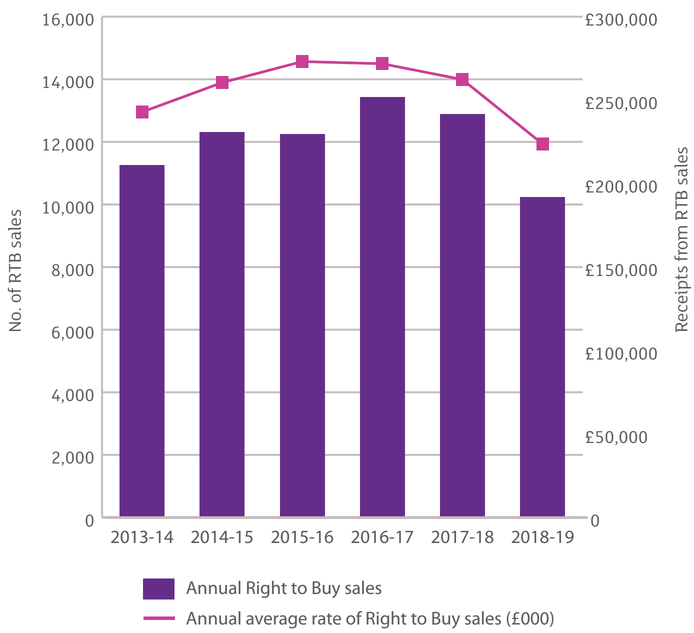
Annual average cost of temp accommodation (£) in 2013 & 2018

Rate of Right to Buy sales

The chart below presents an analysis of annual Right to Buy sales against the value of sales receipts generated by local authorities. According to the table, the rate of Right to Buy sales accelerated between the periods of 2013 from just over 11,261 units to nearly 13,427 units in 2016. The volume of sales then tailed-off from 2017 to its lowest position at the end of 2018, at 10,225 units.

Income generated from Right to Buy also shows a similar profile from £243M in 2013 to the highest point of £273M in 2015. Sales then starts to drop off from 2017 to the 2018 position of £224M. Moreover, what this suggests is the fact authorities have generated significant proportion of incomes from Right to Buy sales, of which 75% of the income generated is returned to the Treasury to repay any debts or loans.

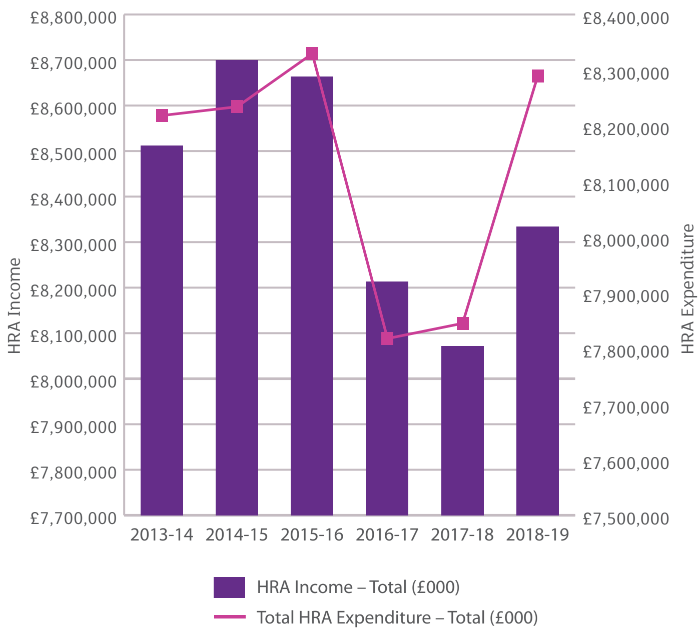
Annual Right to Buy sales versus receipts



Income on HRA versus expenditure

The chart below shows HRA income versus expenditure. Across 2013 to 2017, HRA income and expenditure dropped dramatically at a national level, before rising again in 2018. Overall, HRA income has declined by 2% and expenditure has risen by less than 1% across the six year period.

HRA income versus expenditure



the housing future resources model

CIPFA's Housing Future Resources Model provides a relatively simple method for projecting HRA financial resources forward to 2025, underpinned by robust trend assumptions informed by CIPFA. The model can help all English local authorities who have responsibilities for providing social housing to project across to 2025/26. In this example we are using 2020/21 as the base position on several key areas of housing provision to project across to 2025.

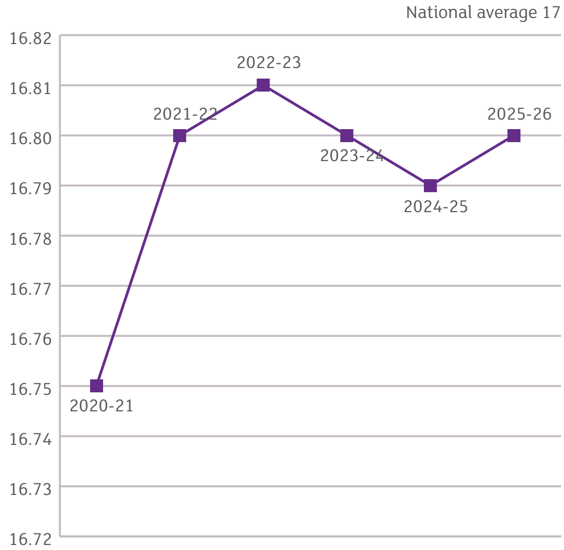
Waiting lists and times for council housing

On average, there were over 1.2 million households on council waiting lists across England between 2013 and 2018. Given the housing crisis, the ability to re-house these households is a key objective going forward.

The national policy agenda on housing supply has changed, in particular the recent removal of the debt cap to allow councils to re-engage in council housing. The impact of these policies can only be realised in the medium to long term future as councils aim to build up their resources for housing development on a scale not seen since the 1980's.

Based on existing data trends CIPFA estimates that it could take anything up to 17 years to re-house households on the waiting list nationally. Clearly if the government target is to boost housing supply through investment in the development of affordable and social rented housing supply and quickly, this time can be reduced.

Estimated length of wait on council waiting lists (in years)

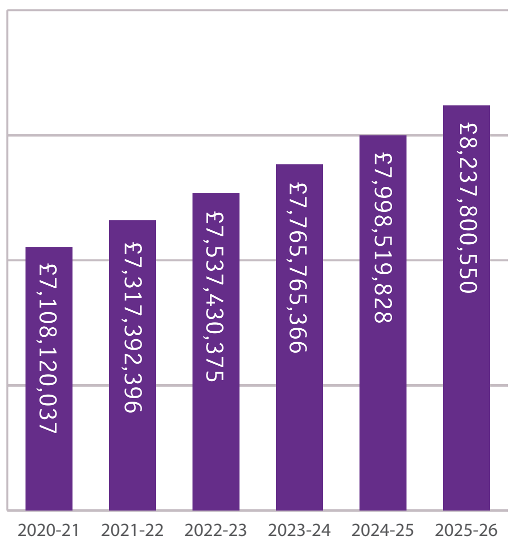


The future picture for rental income and arrears?

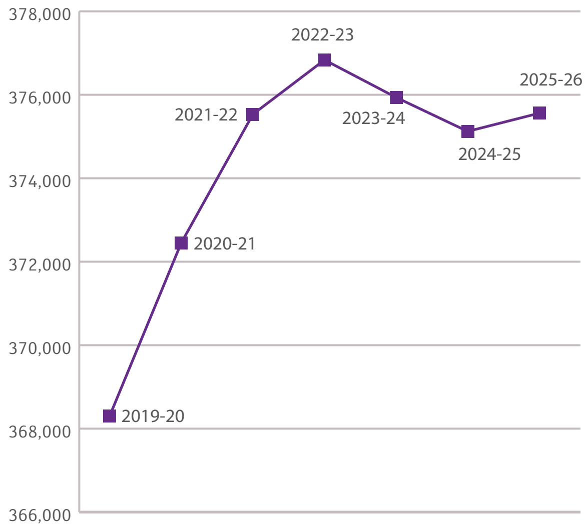
Given recent government policy change on rents, in terms of the shift away from rent reduction to subsidised rents, an increase in rents of RPI plus 1% for the next five years would suggest the value of local council rent roll is expected to increase by 16% across England, from £7.1bn in 2020 to £8.2bn in 2025. Collection levels are also expected to increase proportionally from 94.8% in 2020 to just over 95.3% by 2025. This is clearly a boost for council HRAs and reverses the previous trends by ensuring more money is made available for council housing going forward.

The modelling of future years' rental arrears would suggest that as rents begin to rise there will be a consequent rise in rental arrears by 0.83% from 2020 to 2025. This equates to a rise in average debt of £235 per property in 2020 to £237 in 2025.

Value of Rent Roll expected in 2025 (£)



Predicted level of rent arrears through to 2025



How much more will councils be spending on repairs and maintenance?

The repairs and maintenance area of Council housing provision is one of the key areas of service significantly valued by residents. Moreover, repairs and maintenance is also an area that is under tremendous pressure regarding both demand and controls on financial spend. Analysis shows that over the next few years for council housing, repairs maintenance expenditure is expected to increase by just over 10.38% across England between 2020/21 and 2025/26.

the housing scorecard

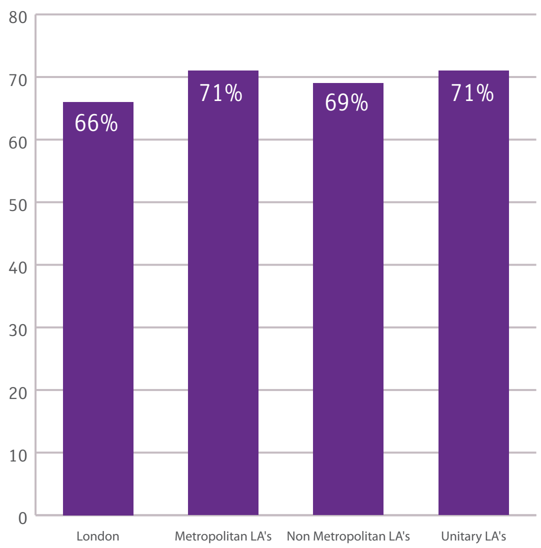
The Housing Scorecard broadly seeks to do the same as the CIPFA Financial Resilience Index. However, whereas the Resilience Index focuses primarily on the General Fund side of local authority expenditure, the Housing Scorecard focuses specifically on the HRA. Unlike the Resilience Index, the Housing Scorecard has both financial and non-financial measures – it is designed to keep the HRA and the housing service in check. Therefore, the Housing Scorecard can give comfort that in the self-financing regime local authorities' are self-regulating their HRAs to make sure that they are not too exposed, especially in terms of their borrowing.

A high-level picture of council performance

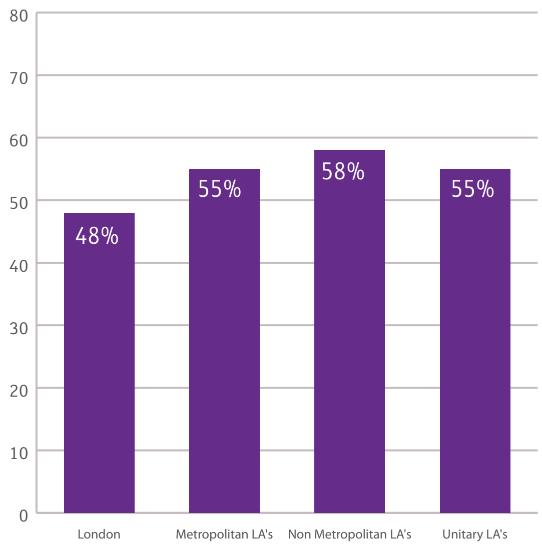
The primary purpose of the Housing Scorecard is to enable individual local authority level evaluation of resilience using a number of different comparator groups, methodologies and annual data sets. However, for the purpose of this analysis CIPFA has used the main comparator local authority groups; London Boroughs, Metropolitan local authorities, Non-Metropolitan local authorities and Unitary local authorities, as well as the data set for 2018/19 to give an overview of resilience across England.

One of the key financial assessments we can do is to ascertain the status of authorities' HRAs against their reserves based on current and previous data. An evaluation of the Housing Scorecard data would suggest that a significant number of local authorities are not able to avoid a deficit in their HRA for 2018-19, despite the fact this is a key government policy requirement. 34% of London Boroughs, 31% of Non-Metropolitan and 29% of Unitary and Metropolitan authorities have HRAs in deficit based on data supplied for 2018/19.

% of local authority HRA's not in deficit



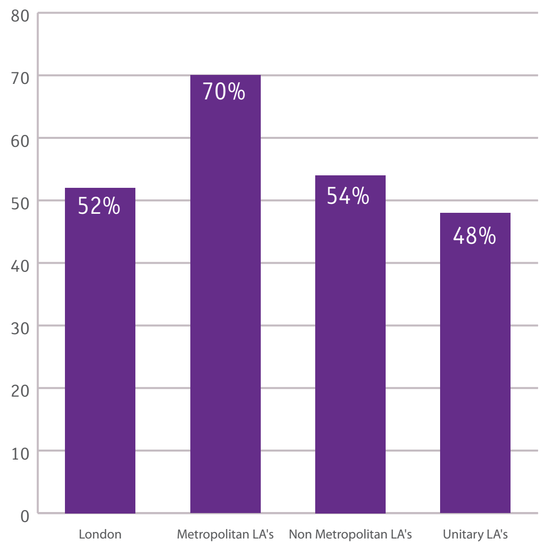
% of local authorities with lower levels of indebtedness



Further checks on HRA health can be ascertained by the use of financial health and capacity ratios. The Housing Scorecard therefore incorporates a number of these to enable individual local authorities to evaluate their own financial health using statutory data sets they have submitted. For the purpose of this analysis we have used the Debt to Turnover Ratio. This indicator measures the level of indebtedness, as measured by the Capital Finance Requirement (CFR), against the turnover, which will ascertain the level of income generated. Authorities should be aiming to have a low value for this ratio compared to the rest of their comparator group. For 2018-19, authorities with a low level of indebtedness in England vary between 48% and 58% across the four comparator groups (as shown in the adjacent chart). As with the Gearing Ratio analysis below, this outlook is calculated using the mean ratio value in each comparator group to determine high and low levels of indebtedness (note where applicable outliers have been removed to normalise the data).

This final piece of analysis looks at the 'Gearing Ratio' for local authorities. The Gearing Ratio is a measure of key lending risks and represents an authority's financial leverage by comparing its overall debt against the value of assets it owns. This is an important measure to consider in terms of the post debt cap removal era to ensure local authorities have the leverage needed to secure additional borrowing. Analysis reveals that local authority HRA's attaining lower levels of gearing ratio of between 48% and 70%. Metropolitan authorities have by far the highest proportion of authorities with lower ratios and therefore poses lower lending risks.

% of local authorities lower Gearing Ratios



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