

Highbury Group on Housing Delivery

Response to Lyons Review Call for Evidence

Introduction

The Highbury Group is an independent group of specialists from public, private and independent sectors with a membership drawn from housing, planning and related professions; it offers advice and makes representations to Government and other agencies on planning and housing, with the aim of maintaining and increasing the output of housing, including high quality affordable housing (see footnote for membership).

The key purpose of the group is to promote policies and delivery mechanisms, which

- * increase the overall supply of housing in line with need
- * ensure that the supply of both existing and new housing in all tenures is of good quality and affordable by households on middle and lower incomes.
- * support the most effective use of both existing stock and new supply
- * ensure that housing is properly supported by accessible infrastructure, facilities and employment opportunities

General comments

This response is in two parts. In the first part we comment on the specific headings in the call for evidence. In the second part we raise broader issues which in the view of the group need to be considered if the core objectives of the review are to be delivered.

We welcome the establishment of the Lyons review. The Call for Evidence refers to a number of policy areas reviewed by the Highbury Group on Housing Delivery since its establishment in September 2008. This response is based on a number of previous policy and research papers published by the Highbury Group. These are available on the group's website. <http://www.westminster.ac.uk/research/a-z/highbury-group-on-housing-delivery/highbury-group-documents>

Some of the points made below refer to specific earlier papers published by the group. This response does not seek to describe the challenges faced, as this information is readily available in a number of reports published by organisations such as SHELTER, the National Housing Federation, The Home Builders Federation, the CiH, the RTPI and think tanks such as IPPR, Policy Network, the Smith Institute, the Centre for Cities and the Centre for London. The Highbury group includes members who are active contributors to the work of all these organisations and our response seeks to bring together a broad consensus on the approach that is needed. We consider it be self evident that the current policy, organisation and funding framework is not providing the necessary housing outputs in terms of quantity, quality and affordability, that this is understood by the commissioners and therefore the response seeks to focus on solutions.

Part 1 Response to the specific points raised in the call for evidence

The land market – unlocking land for housing development

There are two separate issues: the need to ensure that residential schemes with planning consent are progressed and the need to ensure that land which is appropriate for residential development is brought forward for development.

It should be noted that there remain a significant number of housing schemes with planning consent which either have not started on site or which are progressing very slowly. This situation arises partly from the fact that some house-builders and investors made over-optimistic assumptions as to sales values, especially where sites were acquired before the recession of 2008-9. While data on the development pipeline has shown a reduction in the number of stalled projects, in some cases, notably in large schemes in relatively peripheral locations, the absence of a guaranteed timetable for the delivery of transport and social infrastructure (Barking Riverside and Ebbsfleet being prime examples) has slowed down the residential development programme. Developers will generally plan the phasing of development to maximise their return, as simultaneous release of a large volume of similar units in one location will depress sales values. Developers of high cost/ high value schemes will generally seek a high proportion of sales off plan before commencing construction. In the case of prime and super prime developments, this financing will largely be dependent on pre-sales to the international property investment market. The recent recovery in construction, especially in the London area, has focused to a large extent on sites for which there is a demand in the international investment market, which are often high density flatted schemes at the top end of the market. The challenge is to bring forward schemes that are at the middle and lower end of the market and which provide more family homes affordable by first time buyers. The group is concerned that much of the profit of developers actually arises from trading land, consented and unconsented, rather than building out schemes. The focus needs to shift from speculation to completion of homes.

There are a number of approaches to overcoming these constraints. There has been a problem with some larger sites, where the risk of speedily building out all phases of a development has been too great for a single developer, especially whether the funding of the programme of infrastructure is not fully secured. It is often not in the market interest of developers to increase housing output on a specific site as limiting the number of homes released at one time maximises sale prices. This perspective contrasts with the case of development in much of Northern Europe, where major sites are divided between a number of developers, both to spread the development risk, and to provide a wider range of housing

products. (see Beyond EcoTowns: Lessons from Europe PRP/URBED 2008)(http://www.futurecommunities.net/files/images/1_3_Beyond_Eco-towns.pdf)

Secondly, funding for transport and social infrastructure should be made available on a phased basis to support residential development. This is essential for any major new settlements Potential sources for infrastructure funding are discussed below. Proposals, together with case studies, are set out in the Housing forum's recent report on the *ABC of Housing Growth and Infrastructure*.

http://housingforum.org.uk/sites/default/files/WEB%20VERS_The%20ABC%20of%20Housing%20Growth%20&%20Infrastructure%20Report_Jan_2014.pdf

Thirdly, we need to introduce funding arrangements for developments which are less dependent on off plan sales to the international property investment market. Funding for purchases can be provided from the domestic mortgage market, but development finance could be provided by a national, regional and local housing investment banks, or directly, in relation to the provision of socially rented homes at genuinely affordable rents, by local authorities, the Homes and Community Agencies and other public sector bodies. A British Investment Bank and regional and local infrastructure investment funds would play a significant role.

Where there is clear evidence that developers are holding back developments, there is case for introduction of a power for the planning authority to both terminate the planning consent and to take over the site either for direct development or for transfer to a third party. This may mean revisions to the design proposals for the scheme to ensure that the scheme is marketable and meets a current development demand. The way to avoid such action being necessary is for planning authorities to time limit planning consents and impose conditions on development requiring completion within a fixed period.

The issue of speeding up the bringing forward of appropriate land for development requires separate corrective action. Local planning authorities already have a requirement to identify and for development. It is important that this is undertaken on a consistent basis so that local authorities cannot use non-planning factors to obstruct land release. This requires more explicit national guidance. Land costs represent a significant contribution to the high cost of housing, especially in urban areas where most development is on brownfield land with a pre-existing use. The critical issue is ensuring appropriate land is brought forward for development at a cost which is not so high as to limit the development of an appropriate range of housing outputs, including affordable housing. Government should seek to constrain the gain in value achieved by landowners (realised once a site is identified as having a residential development potential, especially where sites have been previously in agricultural or other low value use. The Government should publish guidance on the appropriate sales value of different types of site relative to pre-existing use value, with the local authority having the power to acquire a site compulsorily on the basis of this valuation

should a landowner be unwilling to bring forward such a site for residential development. Where a landowner is unwilling to bring forward the land for development on this basis, the local authority should be empowered to acquire any site allocated for housing at the value determined in line with this guidance. It is important that information on the ownership of sites is in the public domain.

Further action is also required to ensure the most effective use of land in public sector ownership. Public sector bodies should be encouraged to undertake a full cost benefit analysis of alternative options for disposing of land, rather than assume maximum initial capital receipt delivers the most public benefit. However, amending permitted development rules as undertaken by the current government is not the most effective use of ensuring release of land and property for residential provision as it may lead to the construction of housing in inappropriate and unsustainable locations as well as put at risk other essential land uses, including uses which generate employment. All development must be set within an appropriate planning context rather on the basis of whichever use maximises short term financial gains of landowner and developer.

Investment in housing and associated infrastructure

The current funding arrangements for housing and associated infrastructure are inadequate. The majority of residential developments do not provide an appropriate mix of housing to meet the full range of housing needs. This is most critical in the South of England, especially London, where few family size homes are provided, and where larger homes are built, they are not affordable by middle income and lower income households. A significant proportion of the new development programme in central London – in some prime locations the majority of new development- is serving the requirements of the international property investment market and not the needs of potential occupiers.

The mismatch between supply and domestic demand is partly due to the collapse of public sector investment in new housing which is affordable by lower and middle income households. The termination of Government funding for new social rented homes, with the switch of residual funding to the so called 'affordable rent' programme has led to significant increases in the rents of new rented homes, with negative consequences for the housing benefit budget, and with the consequence that in some areas the majority of renters in local authority, housing association and privately rented homes are dependent on housing benefit. The challenge of a new government is to ensure that good quality housing is affordable by lower and middle income households without dependence on income support. This can only be achieved through the suppression of land costs as discussed above and through the provision of direct government subsidy to construction. To ensure that housing is available in the long term to households in housing need, development of rented housing should generally be undertaken directly by public sector bodies on the basis of

secure tenancies, minimum standards and rents which are fixed, with increases no greater than the average increase in lowest quartile earnings. Where rented housing is provided by housing associations or private sector organisations, any government financial support should be accompanied by similar requirements. To ensure such housing remains available in perpetuity for lower income households, the 'right to buy' and 'right to acquire' should be repealed.

Any public finance for owner occupied, shared ownership or privately rented provision, whether in the form of grant or guarantees, should be linked to a public sector equity stake, so that increases in value are returned in part to the public sector. The Help to Buy programme does not meet this criteria. This equity stake can be realised either through an annual revaluation and repayment or through a repayment related to value increment on initial disposal or onward disposal. The repayment would be on a proportionate basis relating to increases in value above a predetermined threshold, allowing the developer a return sufficient to generate development finance. A programme of repayments would provide a fund to enable a local authority to support infrastructure investment. Such an arrangement may be more appropriate for both local authority and developer than the up front one off payment required under planning obligations and Community Infrastructure Levy arrangements, and by operating on a long term basis can overcome the peaks and troughs of a volatile development market.

The Government should establish a National Housing and Infrastructure Bank to provide development finance for housing and infrastructure. Public sector bodies should establish local investment funds, which combine public and private resources (including bond issues) to support infrastructure investment. This could include investment in housing as well as transport and social infrastructure. Such investment funds should be exempt from any borrowing caps. Further details on the operation of such funds are set out in the Highbury Group's paper – *'How two wrongs can make a right: How A Local Housing Fund could help savers and fund new house building'*.

http://www.westminster.ac.uk/data/assets/pdf_file/0007/78064/A-local-solution-July-2009.pdf

A version of this proposal is being put forward by Nicholas Falk, a member of the Highbury group, in a report setting out the case for municipal banks, being published by the Smith Institute in March.

It is also important that the development capacity of affordable housing providers is maximised, without putting such organisations at risk of over-commitment, with the consequential negative impacts on tenants. One option would be for the HCA to write off the grant paid to housing associations the past which is still treated in accountancy terms as recoverable and thus as a liability.

The domestic mortgage market has historically proved incapable of providing adequate finance in poorer neighbourhoods. There is a case for local authorities in some areas to resume their former role in providing mortgages to first time buyers or for the proposed investment banks to have mortgage provision as part of their investment portfolio.

The role of a new generation of New Towns and Garden Cities

The identification of appropriate locations for major new settlements cannot be left entirely to the decisions of local authorities and neighbourhood planning groups as envisaged by the Coalition government. National government has responsibility for assessing the potential growth capacity of different areas, which should be a component of a national spatial plan, which should also include an objective of seeking to reduce regional imbalances. Such a national spatial plan should also establish criteria for assessing the potential of specific locations to deliver residential and employment growth. These should include a requirement that any major new residential settlement should be well connected so that residents can access local centres of employment by public transport and that travel to work times are minimised. Residential settlements also need to incorporate the full range of social infrastructure and civic facilities. Government should publish a guide to the development of new settlements. These could include extensions to existing urban settlements, both on the edge and beyond metropolitan centres. The option of incremental suburban intensification needs to be considered against the same criteria as the establishment of new settlements. New cities and towns should only be considered where the full set of criteria are met. The establishment of new towns as residential dormitories dependent on private transport for access to employment should be avoided. Moreover new residential settlements must include a range of household types, income groups and housing tenures. Such developments cannot be self financing in the short term and significant upfront Government investment is required. Part or all of this investment could be recouped over the life of the development. Further proposals on this issue are made in the Highbury Group's paper on '*Garden cities, garden suburbs and urban extensions.*' http://www.westminster.ac.uk/data/assets/pdf_file/0010/156484/GardenCities.pdf

A new 'Right to Grow'

The implementation of the concept of 'right to grow' depends on the establishment of a structure for sub regional planning which facilitates the undertaking of an assessment of both the requirement for development and the capacity for development on a sub-regional basis. The failure of many councils to either set new housing targets to reflect up to date assessments of housing requirements or to deliver pre-existing targets has demonstrated that the 'duty to co-operate' provisions of the Localism Act, are an inadequate basis for sub-regional planning. Recent Inspectorate decisions in relation to Banstead and Reigate and Aylesbury Vale have demonstrated the need for an adequate structure for sub-regional planning to deal with the pressures of housing demand in constrained districts. The failure

of the Government to produce the long-promised guidance on locally planned large scale new settlements represented a failure of political will but also an abrogation of government responsibility. However, in outlining the principles of a 'right to grow' in the context of Luton, Stevenage, Oxford and York, Labour shadow ministers were unclear as to how the new right would overcome current political and legal obstacles.

Once a local authority had identified a development requirement for housing, employment growth, transport, utilities and social infrastructure, which cannot be met in a manner which meets economic, social and environmental sustainability objectives within its existing territorial boundary, the authority should be able to identify locations within neighbouring authorities which meet these objectives. Where a neighbouring authority fails to agree such proposals, the decisions should be made by a planning inspector appointed by central government, who will undertake a comprehensive assessment of alternative development options. To ensure appropriate collaboration between neighbouring authorities, there is a case for central government requiring sub-regional groupings of planning authorities to establish a combined authority for the purpose of preparing an inter-authority strategic plan. Groupings of local authorities for strategic planning purposes need to be confirmed central government based on an assessment of travel to work areas. Groupings may include district councils, county councils and unitary authorities. In some cases, these groupings could be based on the existing Local Enterprise Partnership groupings, but not all LEPs relate to travel to work area. LEPs are not at present statutory bodies with democratic accountability and therefore are not appropriate to carry out strategic planning functions without significant reconstitution. The joint plan should identify mechanisms for funding and implementation of both residential and employment growth and the related infrastructure. Where insufficient funding cannot be obtained from local authority resources or from development value, financial support should be provided from central government.

Sharing the benefits of development with local communities

An adequate sub-regional and local planning system, supported by infrastructure delivery plans and adequate funding, should ensure that the development of new homes includes adequate transport and social infrastructure provision which means that pre-existing residents will not be disadvantaged by new development. It should also be noted that new residential development in itself generates demand for additional local services such as shops. New residential development can also make the provision of local transport services more viable for operators. Such benefits are best provided through planning rather than through mechanisms for financial incentives to households to support development proposed by the Coalition government, notably the neighbourhood component of the Community Infrastructure Levy, and the recent proposals for pilots for incentive payments to be made directly to households. It is also important that the neighbourhood planning regime is amended to so that neighbourhood groups cannot overturn land use allocations made by local authority core strategies which have been justified by an evidence base and tested through a public enquiry conducted by an independent inspector. It is important to recognise that in some circumstances local interests may need to be overridden in the wider

public interest and that a strategic planning system under democratic control is necessary to ensure that an appropriate balance between competing interests is achieved.

Part 2 Broader issues

We recognise that the Lyons review has been set a specific task by the Labour Party leadership in respect of the commitments already made and is focusing on mechanisms for delivering these commitments. We are however concerned that in order to deliver these commitments and to move forward to a longer term programme, more fundamental changes are needed to the structure of housing governance and funding.

While we welcome the target of 200,000 homes a year announced by Ed Miliband in that it represents a significant increase on current housing output, we consider this proposed target is set too low relative to the household growth projections and the unmet backlog of housing need, and that in the medium term (ie for the next ten years) a new net housing completion rate of between 250,000 and 300,000 a year is necessary. The main focus of new policies should however be on the type, affordability and locations of the new homes rather than a numerical target. In this context, given the range of needs and the difficulty of a majority of new households in accessing market housing, we consider it essential that the review should propose policies which respond to the full range of housing need, recognising that the requirements vary widely in different parts of the country. It is therefore essential that there is a national assessment of the country's housing requirements over the next 30-50 years, and includes an assessment of the need for different types of housing provision in terms of tenure and affordability and their spatial distribution. In this context, it would not be appropriate for the main objective of the review to be securing a blanket increase in the supply of market housing, which is the main focus of current government policy, especially if no mechanisms are introduced to ensure the appropriate and effective use of such new supply.

The issue of **affordability** is paramount. In recent policy debate, the term 'affordable housing' has been used to describe any form of housing, which is available at sub market level, irrespective of the cost to the occupant and the level of household income necessary to rent or own such a home. It is essential that Government policies and financial support are focused on provision for those households who are unable to access homes at either market or marginally sub market provision, such as shared ownership homes or rented homes at 80% of market rent. While there is a clear need for a significant increase in the provision of new homes, the most important issue is actually which households can access both new homes and the existing housing stock. This issue is most acute in London and other parts of the country where average house prices and average rents are far higher than the level affordable by households on middle incomes. Any increase in the provision of new market homes will be of little benefit to households on lower incomes. It is also important to focus on a significant proportion new housing provision being accessible smaller units, which will enable older owner occupiers who are under-occupying their homes to move and release family size homes.

We also consider that new policies for providing additional privately rented supply should also include the provision of family housing which is affordable and secure for lower and middle income households. This raises issues relating to the viability of such programmes and whether it is appropriate to provide subsidy for such provision without adequate controls over quality (with regard to size, design, maintenance and management), rents and security of tenure.

We are also concerned that the **standard** of new homes is improved. It is likely that the current government's housing standards review will lead to a less satisfactory outcome for housing quality and sustainability, and that this could particularly impact on the quality of affordable and lower cost homes. Any increase in housing quantity should not be at the expense of quality and we propose that all new homes outside of London should be built to comply with a new national housing design Guide that sets out minimum standards, including space standards, for all new housing outside London which would sit alongside the London Housing Design Guide which should remain in effect for London development. The National guide would bring together all planning and building regulation requirements and set out aspirational standards for those that wish to go further than the baseline requirements.

The consideration of appropriate locations for major new settlements, whether garden cities, urban extensions, suburban intensification or urban brownfield sites need to be set within a structure of strategic planning and sub-regional and city regional level, within a context of a **national spatial plan**, which incorporates a residential and employment growth and transport, utilities and social infrastructure investment strategy. The national government has a responsibility for setting a spatial framework for meeting the challenges of population growth.

Greater public sector control over **land** and its use is essential if local authorities and other publicly accountable bodies are to be in a position to implement the housing and community development targets they set. Local authorities need a greater role in land assembly and preparing sites for development. As discussed above, they require the power to acquire sites at pre-existing use value, and in some circumstances, to maintain an equity in land during and after the development process. The case for strengthening the public sector role in land acquisition and management is set out in an earlier Highbury group paper:

http://www.westminster.ac.uk/_data/assets/pdf_file/0007/257965/Highbury-Group-paper-Housing-delivery-Policy-Proposals-FINAL-16-9-13.pdf

We also consider that the review should examine the impact of **taxation policy** on both the provision of new housing supply and the use of the housing stock. Arrangements for the taxation of land require review to incentive the bringing forward of appropriate sites for housing development. The option of replacing stamp duty with a tax on value appreciation of housing on disposal needs to be examined. The impact of introducing higher council tax bands should be considered together with the option of relating rates to level of occupation.

These measures would act as an incentive to owner occupying households to downsize. The housing shortage in London and the southeast could be reduced significantly if the existing housing stock was effectively used. Higher rates of taxation could be applied to empty property, while incentives to corporate investment in development, whether international or domestic corporate investment need either to be reviewed or linked to effective occupation of completed homes. The trend in recent years, where increased rates of overcrowding has been accompanied by increased rates of under-occupation has to be reversed. The procedures for Local Authorities to bring empty private properties back into use need to be reviewed to speed up the process.

The issue of **local authority capacity** is important. There is a critical need to strengthen local authority planning departments in terms of plan-making, development management and the co-ordination of plan implementation and infrastructure delivery. One of the clear contrasts with most other European countries is the lack of local authority capacity to take a leading role in the development process. The evidence base for plan-making is often weak, and the collection of evidence from surveys and other sources, the analysis of contextual data and the maintenance of monitoring systems all need to be enhanced.

It is also essential that the **political and broader public debate** on the role of housing and planning is supported by evidence and conducted on a more rational basis. The focus on the green belt and the impact of immigration has diverted attention away from a more systematic analysis of the challenges we face and the alternative policy options available. The review should set out clear national public policy objectives for future housing strategy. This should recognise that the role of central government is to ensure that policies achieve the greatest public benefit, and that given the acuteness of the housing shortage in much of England and the wider negative consequences this has for both wider economic growth objectives and the quality of life of individual households, public policy objectives should take precedence over private or corporate interests, where these interests are presenting a significant obstacle to the delivery of public policy objectives.

Footnote

The Highbury Group is an independent group of specialists from public, private and independent sectors from housing, planning and related professions which prepares proposals for Government and other agencies on policy options for optimising the output of housing including affordable housing.

The group was established in 2008. The group now meets at the University of Westminster, 35 Marylebone Road, London NW1. It comprises the following core members: Duncan Bowie - University of Westminster (convener); Stephen Ashworth – SRN Denton ; Julia Atkins - London Metropolitan University; Bob Colenutt - Northampton Institute for Urban Affairs ; Kathleen Dunmore - Three Dragons ; Michael Edwards - Bartlett School of Planning, UCL; Deborah Garvie - SHELTER ; Stephen Hill - C20 Futureplanners ; Angela Housham - Consultant ; Andy von Bradsky - PRP ; Seema Manchanda - L B Wandsworth; Kelvin McDonald - Consultant ; Tony Manzi - University of Westminster; James Stevens - HomeBuilders Federation ; Peter Studdert – Planning consultant ; Janet Sutherland - JTP Cities; Paul Watt - Birkbeck College ; Nicholas Falk- URBED; Catriona Riddell – Planning Officers Society; Richard Donnell – Hometrack; Pete Redman – Housing Futures; Richard Simmons- University of Greenwich; Richard Blyth – RTPi head of policy; Michael Carnuccio – National Housing Federation; Stephen Battersby- Pro-Housing Alliance; Roger Jarman – Consultant/ Housing Quality Network; Richard Bate- Green Balance; Eric Sorensen; Ken Bartlett;David Waterhouse- Design Council/CABE

The views and recommendations of the Highbury Group as set out in this and other papers are ones reached collectively through debate and reflect the balance of member views. They do not necessarily represent those of individual members or of their employer organisations.

We would welcome the opportunity to discuss this submission with the Commission or with individual Commissioners.

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