The Highbury Group on Housing Delivery – Statement on Government Housing Strategy: Laying the Foundations and subsequent government housing policy announcements

The Highbury Group comprises 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 a variety of subjects, including responses to the recession, with the aim of maintaining and increasing the output of housing, including high quality affordable housing (see footnote for membership and objectives).

The housing crisis is not a new phenomenon. It has been building up for at least two decades. Successive governments have failed either to understand its causes, or to bring forward effective policy solutions.

The coalition government's *Laying the Foundations: A Housing Strategy for England* promises many things: a country left stronger and fairer for our children; bold action to unblock the market; help to tens of thousands of buyers; kick-starting construction; a new deal on housing for older people; improved fairness for people in council housing, and more. We would however question whether the initiatives set out in the document and in subsequent announcements by the Government will deliver these objectives.

The Highbury Group welcomes parts of the document: the recognition of the scale of the housing crisis; the endorsement of the importance of affordable housing; and the emphasis on good design.

We also recognize that there is a valuable role to be played by national infrastructure planning and the potential for the transfer of more powers to city mayors could, in collaboration with sub-regional Local Enterprise Partnerships and the Growing Places Fund, serve as a basis for enhanced metropolitan regional planning of housing.

Unfortunately, these positive aspects of the strategy cannot disguise five fundamental deficiencies:

1. **This is an aggregate of different initiatives rather than a comprehensive a housing strategy**. **It's focus is misdirected in its emphasis on economic growth as the key objective rather than responding to housing shortages and the inefficient use of existing housing supply**.
   The government's own *Impact Assessment for Affordable Rent* says that "around 1.9 million households experience some form of housing need including overcrowding, concealed households and unsuitable accommodation" and that "affordability will remain challenging: the average lower quartile home now costs over six times household income (and eight times in London)." Given the scale of these problems, and their negative consequences for people and places, we would expect any government to offer a coherent strategy to ensure that housing

need would be brought closer to being met, and affordability brought closer to levels within reach of household incomes. Instead, the introduction to *Laying the Foundations* by the Prime Minister has a different agenda; “to help drive local economies” and “create jobs” and to “provide a much needed boost to employment”. It is firstly about stimulating economic growth and then secondly to “boost opportunity in our society”. We would not argue with the need to achieve either objective but a housing strategy should, by definition, be first and foremost about housing people well. Rather the Strategy appears to have as its primary purpose reactivating the ailing house builder industry, seeing this as the driver of local economies. Housing interventions cannot on their own revive local economies and housebuilder investment is unlikely to be attracted to areas where unemployment is high and economies are failing.

2. **The strategy and the new initiatives do not offer a convincing solution to the failure to increase the supply of affordable homes**

    a. A set of measures is focused on getting the housing market moving and enabling first-time buyers to buy; enabling builders to start building again. It is unarguable that the industry needs refueling, but stimulating demand is not itself the problem with delivery which reached historic lows even during the boom years. As the IPPR have pointed out the near monopolistic and share holder driven structure of the industry, its reliance on land banking, and on rising land prices, and its formulaic (accountancy driven) approach to housing development make it inflexible. It blocks new entrants; and freezes up the market by holding land banks and banking planning permissions. Further, its short term horizons mitigate against sustainable development. As planning consents and land purchase options pile up, the excuse that delivery is being held back by planning restrictions is wearing thin. The Get Britain Building initiative is welcome in that it will provide £550m loan or equity investment in stalled schemes, the objective being to get 16,000 starts underway. The loans are at commercial rates to avoid breaching EU state aid rules. The support relates to market homes, though may facilitate some affordable homes which are linked to stalled market schemes. The initiative is however fairly marginal in that if successful it would contribute to about 5% pa for a 2 year programme. Moreover the return of the equity investment relies on an overall increase in the equity of the new schemes.
    b. The Government new mortgage indemnity scheme (the NewBuy guarantee) to provide mortgage support for first time buyers by providing guarantees for 100,000 loans at between 90% and 95% loan to value over the next 3 years may have a limited impact in terms of enabling access to the market by marginal home-owners. However there is a risk that should property values fall, the taxpayer will carry the burden of homeowners falling into negative equity. The limit to the Government guarantee is £1 billion. It must be questioned as to whether this is the best use of public money and whether it is appropriate for the Government to use taxpayers contributions to support speculation in such a volatile property market. There is also a question as to whether the initiative will increase affordability as developers will set sale prices at a level which provides for the potential risk that their own guarantee is called upon. It should also be

recognised that some of the most significant problems in the for-sale market are at the opposite end, where older people often have difficulty in finding good options as last-time buyers, or as first-time renters. The proposed policy measures to support them in this endeavor are both limited and inadequate.

c. The government aims to release publically owned land for house building seeing this as meeting a demand from house builders for more building land, but there is no evidence given the amount of land already owned by developers, it will stimulate supply or ensure quality. Indeed by selling off public sector land, there will be an immediate loss of the opportunity for long term public interest stewardship of development. Capturing its development value over the long term to fund infrastructure and enable proper site management over the long term (an important principle of garden cities, new towns, and community land trusts) will be lost. While we welcome the Build Now, Pay Later initiative, where the payment by the developer for public sector land developed for housing is deferred, to ease a developer's cash flow during the development period, it would however be preferable for such deferrals to be focused on schemes which were policy compliant in terms of delivering appropriate levels and mixes of affordable housing. Public bodies should also consider discounting the disposal price of surplus public land where the development is by registered housing associations and where this increases the proportion and quality of affordable housing output. Where a scheme involves development of market housing, a reduced receipt or deferral should be linked to a retained public sector equity stake.
d. We welcome in principle the establishment of the Growing Places Fund. However the fact that it is limited to only £500m means that its impact will be marginal in relation to the infrastructure costs required to support significant residential growth. The fact that its distribution is based on a formula which relates to resident population and employed earnings within LEP areas, rather in relation to residential growth capacity or targets means that there is no guarantee that the resources will be focused on the areas where infrastructure is needed to supported plan growth. It is therefore not an adequate substitute either in terms of quantum or allocation methodology for the previous growth areas and growth points budgets. While the principle of an infrastructure fund is welcome, the greatest benefit in the longer term is for those areas where there is a significant increase in development values. These are not necessarily the areas which have the greatest need for funding for infrastructure in the longer term.. While we support the principle of some resources being allocated on a sub-regional basis, it is regrettable that with the exception of London, where the fund will be managed by the Mayor, the effective management of local funds will be through organisations, LEPs, which have no statutory basis, no spatial planning remit, and which have no democratic accountability..
e. The government has modified the right-to-buy to increase sales. Although it states its intention to seek the replacement of each house sold, this is very unlikely to be like-for-like in terms of tenure, and the funding arrangement places priority on debt repayments and returns to the Treasury ahead of support for new building in the local authority sector. Moreover the proposals focus on replacing social housing with

security and controlled rents by so called ‘affordable rented’ homes with higher rents and more limited security. The proposals moreover do not guarantee that income received by local authorities or housing associations will, in fact, be spent on new building. There appears to be no mechanism to ensure that the government’s forecast that replacement stock will be built is achieved if receipts are not, after all, made available for new construction. It has been estimated that 10,000 sales will only generate funds for 5,000 or so new homes. Given that right-to-buy has been a significant factor in reducing the availability of affordable housing where it is needed, there remains a risk that pushing right-to-buy further and shifting the tenure of replacement stock will lead to further reductions in the supply of affordable housing. As in previous right to buy initiatives, the loss of social housing stock will be focused on larger better quality homes, the homes in greatest demand by lower income and homeless households. There is anecdotal evidence that selling council homes may not increase social cohesion, and in some locations actually can increase neighbourhood instability and social polarization.

f. The Group welcomes the introduction in the budget of a higher rate of stamp duty for homes purchased at £2m or more. It would be more progressive if there was a phased increase in the rate of stamp duty starting at a lower threshold – for example £500,000. There is however a strong case for a more comprehensive review of property taxation with the burden of taxation moving from tax on purchase to tax on occupation and on capital appreciation.

g. The group also welcomes the review of tax exemptions and liabilities relating to the purchase of property by foreigners, non doms and through companies. However such revisions are best considered as part of an overall review of property tax as suggested above.

h. The group welcomes the new initiative to provide funding to bring empty homes back into use. However the distribution of investment should have regard to relative housing need rather than just maximizing unit output. It would also be preferable if relet rehabilitated properties were available at target rents so could be accessed by lower income households without reliance on housing benefit.

i. We note the establishment of a £30m revolving fund to support self builders. As details of the operation of the fund are not as yet available, it is not possible to comment on the impact the scheme could have.. However prioritization of schemes which deliver affordable homes, including rented homes. For households in housing need who are unable to access market provision, would be welcomed. A longer term objective should be to engage banks and building societies to match fund the government’s resources to extend the capacity of the fund and ensure it can be continued beyond the current CSR period

3. **The strategy places too much reliance on the private rental market**

This market is unregulated, often charges exorbitant rents (there is no rent control), and can easily exploit the growing numbers of those on Housing Benefit Insufficient faith is placed in housing associations and council housing, with strong reputations for delivery, fairness and good management. Although there is support for alternative delivery models such as co-housing, and self-builders, no new funding is available, or measures to ensure that land is made available at affordable prices to the non-profit sector.

4. **The government is stepping back too far from direct intervention**. Its *Impact Assessment for Affordable Rent* says that "Government intervention remains essential to meeting the housing needs and aspirations of a large section of the population." The government's own response to this in *Laying the Foundations* is that it is "freeing up local areas to provide the homes needed for their communities and enabling the market to work more efficiently and responsively." An emphasis on giving local communities more say in the way that housing is provided locally is welcome; as is the implication that city mayors and increased local authority powers could play a role. But given the scale of need, more strategic mechanisms through the HCA or additional loans for council house building or housing associations are required. Local authorities and communities themselves cannot deliver the scale of affordable housing required. Authorities in areas with low levels of demand for affordable housing may be OK, but most authorities cannot meet local demand for affordable housing. Localism is not the answer; central government has to take some responsibility.

5. **The overall impact of the strategy is profoundly unclear**. Neither in *Laying the Foundations* itself, nor in the related impact assessments, is there any attempt to assess the cumulative impact of the Strategy on delivery or meeting housing need. We would expect a strategy to forecast what overall benefit would accrue to its beneficiaries from its implementation. In terms of related policies, the substantial changes to the housing benefit regime are expected to have a considerable effect on people currently living in the private rented sector, one quarter of whom are on housing benefits. There no evidence that reductions in housing benefit will reduce rents in places like London – the main drivers of rental increases in London lie elsewhere. London Councils believes that welfare reforms could force up to 133,000 Inner London households on low incomes to move from homes in places where market rents are high, to the outer suburbs of London and to other towns and cities, while other experts predict a rise in overcrowding, concealed households and unsuitable accommodation which are the very problems already experienced by many of the 1.9 million households in housing need. These risks are not considered in the *Laying the Foundations*. An increase in social and spatial polarization is not a positive outcome.

Together, these five issues cast considerable doubt on the potential for the government's housing strategy to achieve a strategic improvement in tackling housing need and affordability.

A genuine national housing strategy has to achieve the following preconditions to deliver lasting solutions to the current housing crisis:

A national strategy which relates spatial planning to the funding of new homes and infrastructure, with government accepting a responsibility for the identification of areas with the capacity to achieve sustainable residential and economic growth, supported by a transport system which links homes to jobs.

A framework for the funding of housing and infrastructure, which combines public resources with available private finance, which does not always have to rely on the private market as this is often unstable or not well enough established to meet public policy objectives.

A mechanism for providing housing which is affordable to lower income households without requiring a substantial increase in future housing benefit costs to government. This means the restoration of public subsidy for social rented housing accessed on the basis of housing need. This is especially important in those high cost areas where a significant proportion of households in housing need cannot access either market housing or the range of intermediate tenures including shared ownership and the new ‘ affordable rent’ product.

The regulation of an element of the private rented sector to ensure the provision of good quality, well managed, secure and affordable homes to supplement the limited and declining supply of social rented homes.

The protection of the existing supply of social rented homes to ensure it’s availability for future generations in housing need. Any further extension to council house sales, especially in relation to family sized homes, would be contrary to this requirement.

Ensuring that limited resources available are used effectively – this means no further use of public resources to support wealth appreciation by individual households, and the introduction of financial incentives (and disincentives) to ensure the effective use of the existing housing stock.

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 responses to the current 'credit crunch' aimed at maintaining the output of housing including affordable housing.

The group was established in 2008 as the Highbury Group on housing and the credit crunch and originally met at London Metropolitan University in Highbury Grove, Islington, London (thus the name). 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 ; Roy Hind - Bedfordshire Pilgrims HA ; 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; Alison Bailey – consultant; Richard Donnell – Hometrack; Pete Redman – Housing Futures; Richard Simmons- University of Greenwich.

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. .

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

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