



A FAIR HOUSING MARKET FOR ALL

2021

A Summary of Responses to the Consultation into UK Housing Challenges and Solutions by the All-Party Parliamentary Group for Housing Market & Housing Delivery

Edited by
Ben Everitt MP





**ALL-PARTY PARLIAMENTARY GROUP FOR
HOUSING MARKET &
HOUSING DELIVERY**

Executive Summary

The levelling up agenda can be turbo-charged by reforming the housing market. In fact, ending regional inequalities in housebuilding could be the key to unlocking sustainable, long term, organic growth outside of London and the South East.

Reform of the land market and how the public sector operates within it, is essential.

Only through mixed tenure development will the Government achieve its target of 300,000+ new homes a year.

The reforms proposed in the white paper, Planning for the Future, will help bring greater certainty and transparency.

The All-Party Parliamentary Group for Housing Market & Housing Delivery invited parties with an interest in delivering housing to comment on what were the leading issues facing the industry which prevented the delivery of new homes and how “broken” the housing market was.

Submissions were invited directly and our partners, Built-ID, set up five short, online surveys targeted at different sectors of the industry.

37 submissions were received and over four oral evidence sessions with thirteen parties giving their views to a panel of APPG members. The Built-ID surveys had a total of 270 responses.

About the editor

Ben has a background in finance and local government, specialising in regeneration and finance. Since his election as Member of Parliament for Milton Keynes North in 2019 he has sat on the Housing, Communities and Local Government Select Committee, and is Chair of the All-Party Parliamentary Group for Housing Market & Housing Delivery. College Green Group provided research assistance to the Editor, which was funded by the sponsors of the APPG.

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The Respondents

- Adam Smith Institute
- Adoor Ltd
- Arup
- Aster Group
- Barry Lewis Housing Matters
- Bristol City Council
- Campbell Tickell
- Committee on Climate Change
- Dolphin Living
- Guinness
- Home Builders Federation
- Homes for the North
- Homes for the South West
- JLL
- Karbon Homes
- Keepmoat Homes
- Longhurst Group
- McCarthy & Stone
- Midland Heart
- NHBC
- One Powerhouse
- Onward Housing
- Optivo
- Origin Housing
- Peel LP
- Places for People Group
- Purple Bricks
- Simplify
- Landmark
- Mortgage Advice Bureau
- Rotherham MBC
- RPS
- Sage Housing
- Scott Leather Eris Homes
- Shelter
- Shared Ownership Resources
- Summix Capital
- Swan Housing
- Yimby Alliance
- Zurich Insurance

Chair's Introduction

I set up the APPG for Housing Market & Housing Delivery because I wanted to try to understand “the plumbing” that underpins the housing market and to help reach a shared understanding of the reforms which might help it to meet the needs of those who rely on it.

The UK has experienced a significant change in its economic fundamentals over the past 40 years, becoming the second-highest main recipient of FDI in the world alongside the USA, driving record levels of employment and a demand for labour which has, for almost two decades, largely been met by a large increase in net migration.

Couple this with an ageing population, which means our housing stock has to accommodate four generations of people when it used to accommodate three, and demographic changes that see many more single-person households and these are the root causes which have led to projections of annual household formation increasing from around 125,000pa to around and often over 200,000pa.

Prices have risen, not just because of this, but also because of falling interest rates which have made it possible for people to pay more from the same income, but also because of demand from investors. As people have moved and released that increased value, this has been recycled into higher prices further up housing chains.

However, there is no one “Housing Market”. It is in fact a system which seeks to meet multiple needs and demands from a wide variety of households. Consequently, policy changes in one area can have knock on effects in other areas and decades of this kind of well-intentioned tinkering have resulted in a model which, if not fundamentally broken, is functioning despite the statutory framework within which it operates, rather than because of it.

“Getting the balance wrong is likely to gum up the system. As one of our sponsors said in our early discussions, to solve this, everybody needs to take some of the pain.”

Ben Everitt MP

Meeting such multiple demands and needs is something inherently suited to a well-functioning market with multiple providers competing for customers by offering different products at a range of price points. The role of the state should be to regulate that market effectively to ensure it delivers as best as possible the things that people want and need.

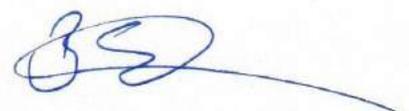
If there are affordability issues, these need to be addressed either by making the market function better to deliver more affordable products, or by supporting those who are not able to afford the home they need. But this needs to be done through policies which neither need excessive public spending, (which has led to charges of unfair subsidies) nor stifle the delivery of the homes that are needed, nor place the burden of the cost of doing so, unfairly, on a single player in the system.

The APPG is seeking to understand this “system” better and to find solutions which help it work better without unfairly penalising any one player in it. We are grateful to all those who contributed to the consultation and to those who took time to give oral evidence or take the online surveys.

The responses showed that our current system is beset with problems at both a strategic level, which prevent long-term investment decisions being made which would deliver the outcomes that there appears to be broad agreement on, and at a tactical or policy level, which result in blockages and delays - and sometimes the outright failure to deliver.

This paper sets out the main themes that our contributors highlighted and distils from those themes the primary problems which need to be addressed by the Government, as it further develops its reform agenda.

Ben Everitt MP
Chair
All-Party Parliamentary Group for Housing Market & Housing Delivery



Levelling up

Context

We received several submissions which highlighted the lack of regional strategies in England as a major problem which made it difficult to make investment decisions. The lack of joined-up thinking over the proposed changes to housing need figures is further compounding this problem.

Recommendations

There is a need for overarching, regional spatial strategies in England to focus the investment being made by the Government in support of the businesses and local governments in the regions who want to see growth. Delivering the right housing in the right place is crucial to support that growth.

The standard method for assessing housing need should be revised to reflect regional growth aspirations and reforms made to the Green Book investment rules, and the way these are interpreted by government and its agencies like Homes England, to support them.

“Housing should be delivered as part of large scale plans for national infrastructure, driven by local analysis of potential and need”

Land Supply

Context

Respondents told us that securing adequate land for development at reasonable cost was the greatest impediment to delivering new homes. The failure to “capture” the uplift in value from securing consent and the perceived failure, as a consequence, of providing infrastructure to support new development was also cited as a key driver of community and political opposition to new development.

Recommendations

To support the supply of land for housing at reasonable values, the Land Compensation Act 1961 needs to be reformed to remove “hope value” from consideration in respect of compulsory purchase and “Viability Assessments” in the planning system. In addition, “Best Consideration” rules governing public sector land sales should allow the public sector to invest its land in projects which deliver long-term returns and meet policy aspirations.



“The 1961 LCA and Best Consideration rules stop land being acquired at a fair value and limit the ability of the public sector to deliver homes with design excellence, great place-making and infrastructure.”

Campbell Tickell

The Planning System and Affordable Housing

Context

Several respondents told us the ‘cross-subsidy’ model was at its limit and it was not possible to deliver 300,000 homes a year with this model. Almost all cited the Letwin Review and the need to embrace mixed tenure development to increase output.

Many of the Housing Association respondents cited short-term rent and funding settlements which increased risk in their investment decisions. Many also reported that property market conditions, as well as changes to the Shared-Ownership regime, would reduce the internal cross-subsidy available for affordable homes for rent and that the additional costs of dealing with post-Grenfell fire safety issues combined with the requirement to “de-carbonise” existing stock were all placing additional pressures on their ability to support the delivery of more affordable homes.



The Planning System and Affordable Housing

Recommendations

There should be greater flexibility for Local Authorities over the type, tenure and price points of affordable homes, with the removal of much of the prescription in the Affordable Homes Programme.

The proposed Infrastructure Levy should be split between support for affordable homes and funding for infrastructure, but it should be based on the capital value of development as proposed, to ensure this is 'captured' from the enhanced value of land securing planning permission.

The Government should consider fixing the Affordable Rent Settlement and the Affordable Homes Programme for longer than the current five-year periods and the Government should consider making long-term, low-rate loan finance available, which could replace some grant funding over time in higher value areas.

“The principal constraints on our ability to supply new, affordable homes are an absence of long-term certainty of capital grant and restrictions on [using] grant for social rent.”

Optivo



Older Peoples' Housing

Context

The ageing population has increased the number of generations that need to be accommodated in our homes, but it has also led to many older households living in unsuitable homes for longer, creating greater costs in health and care services and reducing the wealth that is passed to future generations.

Recommendations

Local plans should be required to plan for 10% of all new homes to be provided for people in later life, which could realise significant savings in care costs and relieve the burden on the NHS.

The Government should investigate incentivising older people to “right size” to more appropriate homes. This will free up existing family homes that are unsuitable and/or under-occupied and increase the supply of market homes for families, generating around £0.5bn of additional spending each year by the buyers of those homes.

“More than 3m older people want to move to a smaller, more suitable home, but can't. This is bad for their health, costing Councils and the NHS money, and blocking young families and first-time buyers from moving to homes they want to occupy.”

The Development Industry

Context

The loss of small and medium sized contractors and developers has left too great a reliance on larger developers who are less inclined to develop smaller sites. The cost and risk in developing smaller sites is increased by the excessive requirements of planning applications, further limiting SMEs ability to function in the market.

Recommendations

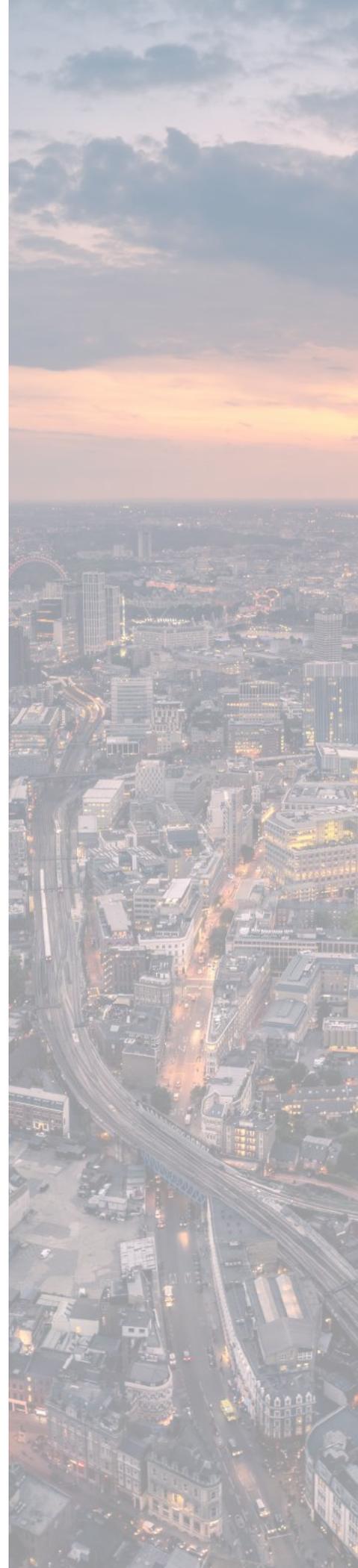
Reforming the land market (as suggested above) will help reverse the trend of over-reliance on large developers, which now includes housing associations, for increasing proportion of new home supply.

The “cross-subsidy” model is not able to support the delivery of more than 200,000 new homes a year. Expanding Build-to-Rent, housing for later life and affordable homes more generally is essential to meeting the target of 300,000 new homes a year.

The proposed Infrastructure Levy has the potential to make the land buying process much more transparent and make it easier for SME developers/contractors to compete with larger housebuilders and housing associations.

Increasing the threshold for including affordable homes on smaller sites could have the perverse outcome of making such developments riskier for smaller developers/contractors and this should be reconsidered.

“The current system can only deliver 200,000 of the 300,000 target. Higher delivery needs greater diversity - of home type and tenure, of developer and of delivery method.”



The Construction Industry

Context

The construction industry, (as opposed to developers), faces a skills and labour shortage and will need to adapt to the changing regulatory environment around climate change. However, it is confident it can meet the timetable for delivering “Net Zero Carbon” new homes which will help raise the quality of new homes, especially with increasing use of modern methods of construction.

Most housing association respondents mentioned the additional costs they are facing from meeting enhanced fire safety requirements post-Grenfell and from the “de-carbonisation” of existing stock.

Recommendations

Building standards need to be clear, unambiguous and rigorously enforced.

Government should reconsider the level of funding available to support fire safety enhancements and de-carbonisation.

“Net Zero” and modern methods of construction have the potential to make construction more attractive as a “design-led” career option and should be promoted as such in schools. Retro-fitting for fire safety and de-carbonisation also offer an opportunity for careers in higher-skilled areas of the construction industry and specific training programmes in these areas should be encouraged.

“Heat pumps [will] become the predominant method of heating new homes in order to meet “Net Zero” standards. [This] will need well-trained, skilled professionals [which is an opportunity] to recruit more young people into the sector.”

Buying, Renting, Letting, Selling

Context

Buyers, renters, agents, conveyancers and mortgage advisers all rely on the housing system working just as much as landowners, developers and contractors. The major issue highlighted by respondents was the uncertainty around government programmes, taxes and access to finance, especially for first-time buyers.

Recommendations

The Government should seek to avoid a “cliff-edge” when planning for changes to Help-to-Buy, SDLT rates and the furlough scheme.

The Government should support the development of high loan-to-value mortgages, especially for first-time-buyers, as Help-to-Buy is withdrawn.

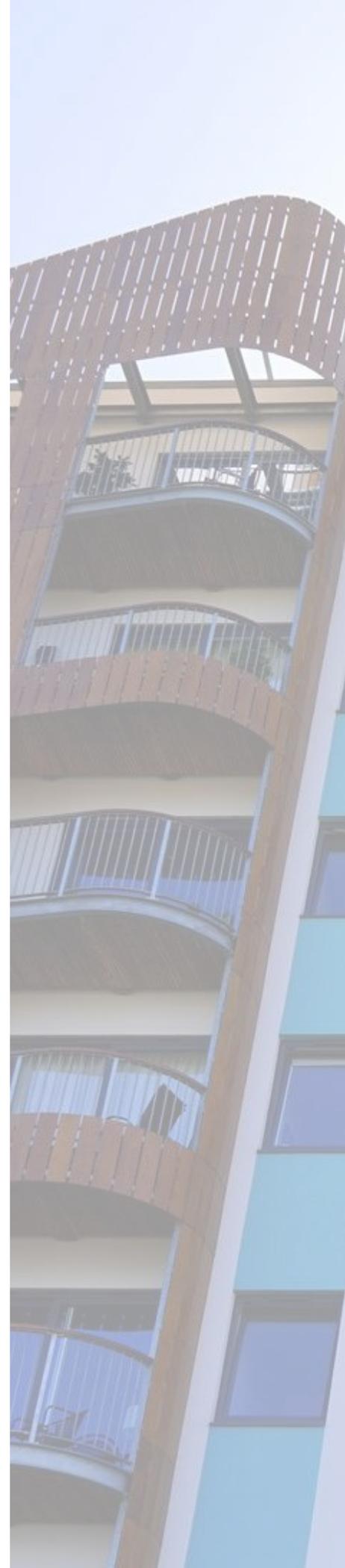
The Government should encourage the development of online conveyancing platforms to reduce the cost of and time taken to complete transactions and reduce the number of failed sales.

The Government should consider mandating better information on leases, service charges and enfranchisement for Shared-Ownership purchases.

Private Sector Landlord Licensing should be used to drive improvement of the standard of homes for rent.

“Help to Buy gave builders confidence to invest. As HtB is withdrawn, the Government needs to ensure a suitable replacement is in place to meet the need for high Loan-toValue mortgages.”

Home Builders Federation



Conclusion

We have seen a significant level of engagement with this consultation and the problems identified and solutions suggested have allowed us to form a better view of “the plumbing” behind our housing market.

As the Government has shown in the planning White Paper, it is willing to embrace radical reform to deliver on its agenda. The recommendations made in this report will aid it in doing so.

If now is not the time for radical reform, then when is? We must level up. We must hit Net Zero. We must provide homes for our growing population and for those who are on the street. This is our opportunity, and we must seize it.

We will be taking the findings and recommendations to Ministers and discussing them further with industry experts with a view to developing the recommendations into clear policies, on which we will consult further.

We are always happy to meet with industry representatives and engage with those who want to see things improve, either at that stage or directly in response to this paper.

How to get involved with the All-Party Parliamentary Group for Housing Market & Housing Delivery

Email us: secretariat@appghousing.org.uk

Sign up for our monthly newsletter: www.appghousing.org.uk/newsletter

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