

HIGHBURY GROUP ON HOUSING DELIVERY

Planning and Housing Policy post COVID-19

Introduction

The Highbury Group comprises an independent group of specialists from the 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, with the aim of maintaining and increasing the output of housing, including high quality affordable housing (see footnote).

The new context

The pandemic presents both challenges and opportunities for the future of planning and housing policies. It has drawn attention to the underlying failures of our housing system. The early months of 2020 witnessed forms of government intervention not seen since the Second World War. The crisis has demonstrated what government action is required to respond to an emergency, when the private market cannot respond adequately in such an extreme context.

The collapse of the market economy has required massive state support to avoid bankruptcy as in the fall in revenue income was not accompanied by an equivalent fall in costs. Not only did housebuilding and all construction come to a halt, but also many residential occupants, whether mortgage payers or renters, facing a loss in employment income, were unable to pay their housing costs.

The last few months have shown how government can intervene in private markets, and pass the required legislation quickly, with the political confidence to do so.

The key question now is how we move on from short-term emergency measures to a coherent long-term strategy and avoid policy initiatives which have negative consequences in the longer-term. We need to use non-financial resources effectively, given that these are public resources which need to be funded. This means that the use of public resources needs to be targeted and regulated and with greater public sector control over the use of resources. There should be no 'back to normal'. Public investment is necessary to reboot the economy, including the housing economy. However, public resources must be focused on delivering specific public policy objectives rather than on restoring the profit margins and capital gains of individuals and corporate bodies.

The foreseeable future for the UK's economy suggests that there will be many more households without jobs, especially the young and those living in precarious financial circumstances anyway. If households are unable to pay rent to a private landlord or their mortgages or buy a new home, the priorities in the short to medium term should change. In the light of what has been seen to be necessary and implemented in this current emergency, the Highbury Group presents below its thinking as to the policy priorities for:

- Planning reform
- Reconstruction of the house building sector
- The Private Rented Sector

Planning Reform

The Government's statement 'Planning for the Future' was published in March 2020, before emergency measures impacted on the operation of the planning system. The Government's focus was on deregulatory measures to speed up the planning decision making system. As the current situation improves the need to restart the housing and infrastructure development process should be the main priority and the government should consider reform measures more radical than those contained in the March statement.

There is some concern that the emergency measures for planning decisions introduced out of necessity may lead to a longer-term reduction in the current mechanisms for public involvement in planning decisions. The Highbury Group shares these concerns but our main concern is that any increase in deregulatory measures will further weaken the existing planning regime in terms of the ability of statutory planning bodies, local authorities and other bodies with planning powers, to deliver their planning policy objectives. ***There is a need for both strengthening the plan-making system and improving mechanisms for ensuring development capacity is used effectively to meet the objectives of planning policy.***

The Highbury Group also suggests that much greater focus is needed on the quality of development outputs, with less emphasis on housing unit completions in purely numerical terms. A housing deficit is corrected by ensuring that appropriate homes are built in appropriate places, suited to the needs of the full range of households in terms of occupation not only for investment returns and capital value appreciation. The experience of the pandemic has demonstrated how important quality and space, including outside space, are to peoples' lives. The experience of households in small flats has been very different from the experience of households in houses with gardens. There is an urgent need to consider the form and quality of residential and non-residential development to determine what contributes most effectively to healthy personal lifestyles and also to limiting the health risks of our individual engagement with other people. Living in dense urban environments, in poor physical and overcrowded conditions, has carried greater health risks. When the services and facilities, which many see as the attractions of urban living, are no longer available or accessible, the urban lifestyle is less positive. We need to examine the wider roles of planning and the State at all levels in how to ensure all have the essentials for a healthy physical and mental life before a minority have the 'extras'. Planning needs a more substantive rethink than is being considered. This is much more important than just speeding up the process of decision making. While some developments are needed more quickly, there are some other developments which may not be needed at all. ***Planning is about ensuring the most effective use of development capacity.*** Any judgment has to be based on an assessment of competing demands in relation to land use. It is not only about facilitating the delivery of every development proposal. A plan-based system is essential and the plan must be based on a full assessment of development requirements, now and for the future, as far as can be projected, in the medium-term.

It is the Highbury Group view that this requires plan-making at a range of spatial levels – national, regional and sub-regional as well as local. It is essential that investment decisions, including use of public investment, are linked to decisions on strategic planning priorities, and an assessment as to where public investment is most required. ***In this context, we need an integrated national spatial plan and infrastructure strategy.*** This must have a regional dimension, if we are to make more progress to correct regional inequities, as demonstrated in the report of the UK2070 Commission. There also needs to be a new study of the criteria for assessing appropriate locations for new

developments. The COVID19 epidemic should lead to a reconsideration of the current focus on compact city approaches to development. There are certainly new questions as to whether it is essential to have office provision concentrated in metropolitan centres, if electric communications make this unnecessary. There is an increased urgency to reduce commuting, given limitations on public transport capacity.

We need to consider the option of more polycentric and even dispersed forms of settlement. There is certainly a strong case for reducing the quantum of new flatted development and increasing the quantum of low-rise housing with good internal and external space standards. This will require an increased land take. In the Government's recent promotion of the importance of 'beauty' in development, there should be a focus on quantifiable factors which are of benefit to the quality of the life of occupants, rather than on the judgement of aesthetics, which are largely subjective and highly contested. This requires greater regulation through planning, not less.

While it is recognised that some short-term liberalisation of planning controls, for example allowing restaurants to use pavement space, may be helpful to allow enterprises to restart, this should not involve any reduction in long term management of public space by planning authorities. Similarly, any weakening of planning requirements on new development, for example in relation to the proposed waiving of s106 contributions or Community Infrastructure Levy requirements, should not lead to a reduction in wider community benefits from development. The Highbury Group does not support the introduction of an American-style zonal planning system, as the policy compliance of each individual development proposal needs to be considered on its merits. Local authorities already have a range of mechanisms for setting differential policies at area level including local development orders, land use site allocations, site planning briefs, local design codes, conservation area policies, area-based density policies, area-based policies on planning obligations and community infrastructure levy. We are opposed to any further extension of permitted development and have previously argued that all residential developments should comply with qualitative standards and that existing permitted developments regulations need to be revised.

The Reconstruction of the Housing Programme

The COVID19 episode has demonstrated some of the severe limitations of our housing policies. We need a reconstruction programme with investment, regulatory controls and co-ordinated government leadership of a scale not seen since the reconstruction programmes which followed the First and Second World Wars. We now have an opportunity to consider whether the outputs we need from such a programme are different from the housing outputs we have generated over the last few decades. The Highbury Group has in a series of statements over the last twelve years set out the case for a redirection of the development programme and the mechanisms needed to achieve this. Some of these recommendations are reaffirmed below.

The tenure of the existing housing stock is imbalanced, as we have witnessed a halving in the proportion of the stock of social rented housing and a doubling of the private rented sector. It is also the case that there is a decline in the proportion of households owning (or at least paying mortgages on) their homes. There is also an increasing proportion of debt free home owners – i.e. households who have paid off their mortgages, have no direct housing costs, while still having through value appreciation, the prospect of significant capital gain for either themselves or their inheritors.

The major concern is that the new housing programme, especially in urban areas provides housing that is not affordable or the size or built form of housing that is needed. The cost of a new home is

driven mainly by the cost of land as well as the cost of construction, while the price is driven by investment potential as much as by the affordability to a potential occupier.

While successive governments have acknowledged that housing output in numerical terms needs to keep up with household population growth and to catch up with a growing unmet backlog, there has been insufficient consideration as to whether new residential development is appropriate in terms of assessed housing requirements. The issue of where new settlements are actually achieved has been left largely to the interaction of market demand and local decision making. There is no national policy on the criteria for location of new development and little consistency on ministerial interventions in local planning decisions. In practice, the planning system operates more to facilitate private sector led development and profit than to achieve specific planning policy objectives set out in published local plans. This is primarily because the public sector has neither the powers nor resources to take the lead on residential development. In the absence of ownership of land and capital subsidy, the public sector is obliged to seek affordable housing outputs and other community benefits on the back of private sector initiatives.

It is the Highbury Group's view that this has to change. ***The system for levying private sector land and development value appreciation needs to be revised.*** The direct public sector control of land and development would be a much more direct way of delivering public policy objectives.

Housing development should be driven by assessed housing requirements. In many areas, this will be primarily a need for social rented housing at rents which take less than 30% of the incomes of the households for whom housing is provided. Much of this housing will need to be of a size suitable for family occupation. This provision will **require significantly higher levels of subsidy** than currently available. Funding new development from higher rents is not an option as this increases dependency on housing benefit/universal credit and is a long-term public sector revenue cost.

Given limited investment resources available, it is our view that government must resist the temptation to reinvigorate the development programme through either direct or indirect subsidy to home ownership. In order to reduce development cost, **councils should use public land to provide social rented housing and should have the power to acquire privately owned land for housing development at its pre-existing use value.**

Initial housing costs for house purchasers will also be reduced by the replacement of stamp duty by a tax on residential value appreciation.

As there is a significant time-lag between the planning and completion of new development, **there is a case for local authorities to acquire existing housing to generate a quick addition to the stock of social housing.** Given the fall off in property market transactions, the current situation presents cost effective opportunities in many areas for acquisitions which will help to correct the tenure imbalance created by forty years of compulsory sales of council housing and other losses from 'estate regeneration' programmes.

In the short term, local authorities should use their powers to take over the management of long-term vacant properties. There is also a case for introducing restrictions on the ownership of second homes. Underused residential properties could be added to the supply of homes accessible by households without a first home. Restrictions on the provision of short-term visitor accommodation through Airbnb is likely to fall given the reduction in tourism, could also make properties available for social housing use. There is also a possibility, given potential changes in the higher education sector, that some student accommodation may also be released.

To make full use of existing housing and infrastructure provision requires local authorities and other public bodies to be adequately resourced. **Therefore, there is a need for new mechanisms for delivering finance, for example national and regional housing and infrastructure funding banks.**

The Private Rented Sector

The government has rightly introduced emergency measures to protect the security of private rented tenants during the COVID19 pandemic. This has however demonstrated the vulnerability of both tenants and landlords in a volatile economic context. It is the Highbury group view that the private rented sector should exist as a tenure of positive choice for a household rather than the only option available. Many private tenants would be far more secure and able to afford their rents if they were living in some form of socially rented housing.

While the private rented sector is largely unregulated it is funded indirectly through the housing benefit/universal credit system. The provision of this public funding is however, from the landlord's perspective, largely unconditional. Deferral of rent payments and suspension of the landlord's right to evict tenants for arrears were welcome short term measures, but do not deal with the unsatisfactory position of many tenants in the longer term and there is a real risk of high levels of tenancy termination and homelessness once the temporary protections are removed.

Security of tenure is in many ways more critical than rent levels, especially given that the COVID19 context has further weakened the security of income of many private tenants, many of whom were not in secure employment and may now have no employment at all. Landlords will not continue to provide accommodation where there is no guaranteed rental income. However efficient a housing benefit/ universal credit system may be, private rented provision is not a financially sustainable system for many landlords as well as for many tenants.

The introduction of rent regulation which reduced landlord income will lead inevitably to the withdrawal of some landlords, which has the consequence of increasing homelessness. The challenge of maintaining affordability for tenants and the viability for private landlords requires a system of incentivised regulation – a landlord gets guaranteed income through a system of direct payment where standards of housing and management and tenant security are guaranteed.

Where a landlord is unwilling to participate in such a regulated system or seeks to withdraw a property from the market, the property should be brought under the ownership or management of a local authority or appropriate social housing provider, such as a housing association. ***In the short term it is essential that the Government proceeds with its intention to remove the existing section 21 provisions relating to no fault evictions. As a longer term solution, we would encourage the government and local authorities to pursue the mechanisms for an incentivised regulatory framework.***

Footnote

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 all individual members or of their employer organisations. The group's core membership and previous statements and research presentations are on the group's website:

<https://www.westminster.ac.uk/highbury-group-on-housing-delivery>

Duncan Bowie
Chair, Highbury Group on Housing Delivery
Bartlett School of Planning, UCL
duncanbowie@yahoo.co.uk